

HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
JUNE 24, 2015
APPLICATION SUMMARY

NAME OF PROJECT: Methodist Healthcare-Memphis Hospitals dba
Methodist South Hospital

PROJECT NUMBER: CN1503-008

ADDRESS: 1300 Wesley Drive
Memphis (Shelby County), TN 38116

LEGAL OWNER: Methodist Healthcare-Memphis Hospitals
1407 Union Avenue, Suite 300
Memphis (Shelby County), TN 38104

OPERATING ENTITY: Not Applicable

CONTACT PERSON: Carol Weidenhoffer
(901) 516-0679

DATE FILED: March 13, 2015

PROJECT COST: \$8,741,872.00

FINANCING: Cash Reserves of Methodist Healthcare

PURPOSE FOR FILING: Hospital construction and renovation in excess of \$5.0
million

Methodist Healthcare-Memphis Hospital d/b/a Methodist South Hospital is seeking approval to renovate and expand its existing emergency department. The project includes (a) the construction of a 12,020 square foot (SF) building addition to the existing 9,902 SF main ED; (b) the construction of a 704 SF corridor that will connect the new addition to the existing non-acute fast track area located in the medical office building; and (c) the renovation of the existing main ED for an expanded total of approximately 22,626 square feet. The applicant states that the goal of the project is to create a larger contiguous footprint for emergency services at the hospital with improvements to the overall size, layout and set-up of the ED. The project will not increase the 37 bed complement of the ED and does not involve any renovation to the existing 3,800 SF fast track area. Additionally, the project does not involve changes to the

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applicant's 156 licensed acute care bed complement, the addition of new services or the acquisition of major medical equipment.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

- 1. Any project that included the addition of Beds, Services, or Medical Equipment will be reviewed under the standards for those specific activities**

The project involves new construction and renovation to the hospital's existing emergency department with no increase to the department's existing 37 treatment beds. The project does not include the addition of licensed hospital beds, services or medical equipment.

This criterion is not applicable.

- 2. For relocation or replacement of an existing licensed health care institution:**
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative**
 - b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

The project does not involve relocation or replacement of Methodist South Hospital.

The criteria in 2(a) and 2(b) above are not applicable.

- 3. For renovation or expansions of an existing licensed health care institution:**
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project**
 - b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion**

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The applicant provided detailed responses for these criteria on pages 16-19 of the application. Key highlights are provided below.

- *The applicant has been serving the South Memphis and surrounding area for over 40 years through the delivery of healthcare services to a disproportionate share of the Mid-South's most vulnerable populations.*
- *Methodist South's existing ED was designed for approximately 35,000 ED visits per year.*
- *ED visits increased by approximately 81% from 34,417 visits in 2006 to 62,300 total ED visits in 2013.*
- *Space constraints coupled with the high level of visits has adversely impacted workflow and operational efficiencies. The graph on page 17 depicts a 5% increase in patient turnaround times from 2011-2013.*
- *Prior modifications such as the creation of a fast track area for less acute patients have served their purpose and cannot continue to meet the level of growth in ED volumes.*
- *More than half of the ED's beds are non-private cubicles. The proposed design will make all rooms private and larger (increasing from 370 SF to 610 SF per bed) with benefits to patient flow, privacy and infection control.*

It appears that the criteria in 3(a) and 3(b) above have been met.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

The proposed project involves a 9,902 square foot renovation within the existing Emergency Department (ED), new construction for a 12,020 square foot addition to the ED and a 704 SF connecting corridor/vestibule to the existing non-acute fast track area in the medical office building (MOB). If approved, the project will result in an expanded ED containing 22,626 SF of dedicated space on the ground floor of the hospital without changing the current beds assigned to the emergency department (37 ED beds). Other than the connecting corridor, the project does not include construction or renovation to the existing 3,800 SF fast track area in the MOB. Key goals of the project are to improve the layout of the emergency department, convert to larger, all private rooms (from 370 to 610 gross square feet per bed), and add or upgrade designated specialty areas such as chest pain, trauma/resuscitation, bariatric, behavioral and infection control

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rooms. The project also includes an expanded circle drive and covered drop-off area and a new heliport with a covered walkway to ambulance vestibule. A detailed overview of the project is provided on pages 8-9 of the application. If approved, the applicant expects to complete all construction and renovation and open by October 2016.

Ownership

Methodist Healthcare-Memphis Hospitals (Methodist) is a not-for-profit corporation that operates five Shelby County hospitals under a single license with a combined total of 1,583 licensed beds, of which 1,352 are presently staffed (source: Item 1, March 25, 2015 supplemental response). Methodist South Hospital is a wholly-owned subsidiary of a parent organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in healthcare facilities in West Tennessee and North Mississippi.

Facility Information

The applicant states that the design of the ED will take into account current and future capacity based on projected visit levels and acuity mix and the planned throughput improvements proposed in this project - such as the results waiting room and swing beds in the triage area. The applicant described the type of rooms at project completion that are planned for the project Item 2 of the March 25, 2015 supplemental response. The table below summarizes the breakout in the application and supplemental response.

ED Rooms at Project Completion			
Type Room/Station	Main ED	ED New Addition	Total
Exam Rooms	12	0	12
Trauma/ Resuscitation Rooms	2	0	2
Chest Pain Center	3	0	3
Security Hold	1	0	1
Bariatric Exam Room	1	0	1
Infectious Disease Room	1	0	1
Fast Track	0	10	10
Clinical Decision Exam Rooms	0	5	5
Triage (Swing) Exam Rooms	0	2	2
Total Treatment Spaces	20	17	37

The highlights below identify the main features of the ED expansion project at Methodist South Hospital.

- The project will not change the existing complement of 37 ED rooms.
- The new 12,020 square foot addition will create a larger contiguous footprint for emergency services at the hospital.

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- New construction will reposition the existing fast track area in the existing medical office building (MOB) and move it adjacent to the main ED resulting in a contiguous floor plan between the two areas. *Note: the fast track area was created in the MOB to accommodate less acute patients as volumes grew over 60,000 visits beginning in 2011.*
- The new design will promote more patient and family centered care as well as improve infection control by making all rooms private and larger.
- The size of the emergency department will increase from approximately 370 department gross square feet per bed (DGSF) to 610 DGSF per bed.
- The design includes 3 specialty areas shown in the table above as Security Hold, Bariatric Exam and Infectious Disease rooms. These specialized rooms will be set up to “swing” to use as standard exam rooms when necessary.
- ED patients will have better access to imaging and lab services at the hospital.
- The ED expansion has been designed as a “green project” and the applicant will pursue Leadership in Energy and Environmental Design (LEED) certification from the United States Green Building Council (USGBC). *Note: LEED is a program developed by the USGBC to recognize best-in-class building strategies and practices focusing on helping building owners and operators be environmentally responsible and use resources efficiently. From 1994-2006, LEED grew from 1 standard for new construction to a comprehensive system of interrelated standards covering all aspects of the development and construction process. LEED certification is required by many federal, state and local agencies. LEED standards have been used in over 7,000 building projects in the United States and 30 countries. Source: Wikipedia*
- A letter dated March 6, 2015 from Jon R. Summer, AIA, of the Architectural Firm brg3s, states the construction project will be designed within all applicable federal and state standards, regulations, and guidelines.
- Review of the 2013 Joint Annual Report revealed that the hospital reported 156 licensed beds, 144 staffed beds and 30,981 total inpatient days. Based on this information, Methodist South Hospital had a licensed bed occupancy of 54.4% and a staffed bed occupancy of 58.9% in 2013.

The following provides the Department of Health's definition of the two bed categories pertaining to occupancy information provided in the Joint Annual Reports:

- **Licensed Beds** - *The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).*

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- ***Staffed Beds - The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.***

Need

A detailed description of the project can be found on pages 8-10 and 16-20 of the original application. Key highlights of the need for the project are summarized below.

- The current ED is almost 40 years old and has outgrown past modifications.
- Annual emergency department volume has increased by 81% since 2006 resulting in increased patient turnaround times.
- As measured on a per room basis, the average utilization of the hospital's 37 ED rooms exceeded the American College of Emergency Physicians standard benchmark of 1,500 ED visits/room by approximately 108% during the 4 year period ending 2013 (*note: similar standards are discussed by the applicant in Item 2 of Supplemental 1. The Benchmarking Alliance uses a range of 1,368-1,700 visit per ED room for planning purposes*).
- The applicant states that the hospital was at capacity and on ambulance diversion approximately 45 days during the most recent 12-month period.
- Increased volumes have caused issues with workflow, unacceptable turnaround times, space constraints, limited visibility causing issues in work areas and poor pathway design for patients. The proposed construction and renovation is the most cost-efficient and reasonable alternative to resolve capacity issues.
- The main ED is located almost a football field away to the non-acute fast track area in the medical office building. The proposed new 12,020 SF addition will link the two areas.
- About half of the 37 treatment beds are in non-private spaces. The project would convert all 37 beds to larger, private rooms.
- Upgrades to specialty rooms such as rooms dedicated to the chest pain center and trauma resuscitation rooms are included in the project design.
- Innovations can be introduced as a result of the expanded ED space such as a results waiting room for use by patients ready for discharge but waiting for lab or diagnostic results.
- A new heliport will be constructed with covered walkway to the ambulance vestibule.
- The proposed project offers a new decontamination area adjacent to the ambulance vestibule to be used as a dedicated space in the event of a hazardous material or contamination event.

Service Area Demographics

Shelby County is the primary service area of the proposed ED expansion project. As noted on page 20 of the application, Shelby County residents accounted for approximately 90% of 62,528 total estimated ED visits in calendar year 2014.

Highlights of the emergency department's primary service are noted as follows:

- The total population of the Shelby County, Tennessee service area is estimated at 946,559 residents in calendar year (CY) 2015 increasing by approximately 1.0% to 956,200 in CY 2019.
- The overall statewide population is projected to grow by 3.7% from 2015 to 2019.
- The Age 65+ population of the Tennessee service area is estimated at 112,753 residents in calendar year (CY) 2015 increasing by approximately 14.9% to 129,543 in CY 2019. The Age 65+ population statewide is expected to grow 12.0% during this time period.
- The Age 65+ population of Shelby County is estimated to be 13.5% of the total population in 2019. This compares to 16.5% for the state overall.
- The latest 2013 percentage of the proposed service area population enrolled in the TennCare program is approximately 19%. The overall TennCare percentage for Shelby County 24%. The statewide enrollment proportion is 18.3%.
- Special needs related to such factors as health disparities, poverty, and violent crime are discussed in detail on pages 22-23 of the application.

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.

Applicant's Historical Utilization

The applicant is proposing to renovate and expand the existing ED built over 40 years ago. The applicant provided historical utilization trend data for the most recent 4 year period. The table below provides a comparison of the applicant ED volumes and the volumes of the 5 Methodist Healthcare-Memphis Hospitals in Shelby County to the American College of Emergency Physicians (ACEP) industry standard of 1,500 visits per room in 2013.

**SHELBY COUNTY SERVICE AREA
EMERGENCY DEPARTMENT VISITS AND ROOMS 2010-2013**

Hospital	ED Rooms	Actual 2010	Actual 2011	Actual 2012	Actual 2013	% Change	Average 2013 ED visits per room	% of 1500/bed ACEP std*
Methodist South	37	55,522	59,346	60,902	62,659	12.9%	1,684	112%
Methodist Total	216	251,397	272,034	293,903	304,580	21.2%	1,408	94%

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Highlights of the table are noted as follows:

- The applicant's ED volumes increased by 12.9% compared to a 21.2% combined increase by the 5 Methodist Healthcare Memphis Hospitals during the period.
- The applicant exceeded the ACEP 1,500 standard by approximately 112% in 2014.
- The applicant's 62,659 ED amount to approximately 103% of the Methodist Healthcare 60,916 visits per hospital group average in 2014.

Shelby County ED Historical Utilization

- There are 11 hospitals with emergency departments (ED) in Shelby County
- Shelby County EDs reported 456,972 total visits in 2010 increasing by 19% to 545,103 total visits in 2013.
- Overall, the 11 hospitals averaged approximately 49,555 ED visits per hospital in 2013 compared to Methodist South Hospital's 62,659 ED visits in 2013.
- As a group, the five Methodist-Memphis hospitals accounted for 55.8% of total ED visits in Shelby County in 2013.
- Overall, Shelby County Hospital EDs operated at approximately 88% of the 1,500 ACEP standard, ranging from 62% at LeBonheur Children's to 136% at Delta Medical Center.

Applicant's Projected Utilization:

The applicant's historical and projected utilization is shown in the table below.

Applicant's Historical and Projected Utilization

	2011	2012	2013	'11-'13 % Change	2014 Estimated	Year 1 2017	Year 2 2018
Methodist South	59,346	60,902	62,659	5.6%	62,528	62,397	62,791

- The emergency department had a 5.6% increase in utilization during the period.
- As noted in item 5 of Supplemental 1, approximately 8.7% of total ED patients are ultimately admitted as inpatients to the hospital and additional another 6.0% are admitted for observation.

The applicant clarified that the hospital expects a slight shift from lower acuity to higher acuity ED visits. The table below is a condensed version of the table provided in Item 5 of the applicant's March 25, 2015 Supplemental Response to help illustrate the comparison of projected to historical ED volumes by acuity level. The table reflects a slight shift in ED visits to higher patient acuity levels by

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Year Two of the project. Definitions for each acuity level are provided in Item 9 of the March 25, 2015 Supplemental Response. Generally speaking, Level 1 is the lowest while Levels V and VI are the highest acuities).

METHODIST SOUTH ED VISITS BY BILLED ACUITY LEVEL
Actual 2010-2014, Projected 2017-2018

Acuity Level	Actual 2014	% of Total by Acuity 2014	Projected 2017	Projected 2018	% of Total by Acuity 2018
Level I	758	1%	718	723	1%
Level II	6,901	12%	6,679	6,721	8%
Level III	21,143	33%	21,076	21,209	31%
Level IV	20,043	29%	20,153	20,280	32%
Level V	13,289	20%	13,388	13,473	22%
Level VI	404	5%	383	385	6%
Total	62,538	100%	62,397	62,791	100%

Project Cost

Major costs are:

- The largest cost is allocated to construction costs for the new addition and renovation of the main ED at approximately \$4,728,050 or 54.2% of the total project cost. Site development or preparation is \$472,003 and architectural fees are \$489,004.
- Of the \$4.7 million, approximately \$4.1 million is for construction, \$663,120 for chiller upgrades and \$10,000 for canopy work. New construction of the 12,020 square foot (SF) addition and 704 SF connecting corridor accounts for \$3.3 million or 80.4% of the \$4.1 million combined construction/renovation cost.
- The next largest cost is \$2,004,482 for moveable equipment or 22.9% of total project cost.
- Costs related to set-up and use of temporary work stations are estimated at \$125,000.
- For other details on Project Cost, see the Project Cost Chart on page 26 of the application with clarification provided by the applicant in Item 6, of Supplemental 1.
- The applicant expects the new construction cost to be \$270/SF. As reflected in HSDA records, this falls below the median for hospital construction of \$274.63/SF for projects previously approved between 2011 and 2013.
- The renovation cost for upgrades to the 9,902 SF existing main ED is approximately \$742,650 or \$75/SF. This falls below the 1st quartile of the 2011-2013 project SF cost for the period.

Historical Data Chart

- As noted in the Historical Data Chart for Memphis Healthcare-Memphis Hospitals provided on page 29 of the application, the company reported successive increases in favorable net operating income in each of the most recent three fiscal year periods: \$88,224,000 for 2012; \$99,889,000 for 2013; and \$103,053,000 for 2014.
- The applicant also provided a Historical Data Chart for the ED in Supplemental 1 showing favorable net operating income (NOI) in the most recent 3 fiscal year periods. NOI was \$5,216,000 or approximately 1.5% of total gross revenue in FY2013 decreasing slightly to \$4,233,000 in FY 2014.

Projected Data Chart

The Projected Data Chart for the emergency department reflects \$331,757,000 in total gross revenue on 62,397 patient visits during the first year of operation increasing by approximately 1.0% to \$335,964,000 on 62,791 total visits in Year 2. The Projected Data Chart reflects the following:

- Net operating income for the applicant will equal \$4,817,000 or 1.5% of total gross revenue in Year One (2017) increasing by 6.5% to \$5,130,000 in Year Two (2018).
- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach \$71,296,000 in Year One and \$72,736,000 in Year Two representing approximately 21.5% of total gross revenue in both years.
- Total operating expenses averages approximately \$67,000,000 per year or 20% of total annual gross revenue. Of this amount, salaries and wages accounts for approximately 50% and Other Expenses 28.3%.
- A breakout of the Other Expenses line item in the Projected Data Chart was inadvertently omitted from the application and was submitted in Attachment 8 of Supplemental 1. The attachment shows the highest costs as \$8.3 million per year for "support from other departments"; \$6.1 million per year for "all other not assigned costs"; \$1.85 million per year for health information costs; \$1.35 million per year for contract services; and \$772,000 per year for professional fees.
- Gross operating margin is expected to be 1.5% in Year One and 1.53% in Year Two.

Charges

The applicant states that there is no change to the existing charge structure as a result of the project although normal unrelated rate increases may occur over the

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next several years. Highlights of the applicant's charge structure are noted below.

- In Year 1 of the proposed project, the average gross charge averages approximately \$5,317 per visit in Year One and \$5,351 in Year Two. The average net charge is approximately \$1,200 per ED visit.
- Additional detail on page 31 identified that the applicant's ED visit charge schedule falls within a range of \$460 per Level 1 visit to \$1,523 per Level 5 visit.
- The applicant's charges appear to fall below the ED visit charge range projected in Baptist Memorial Hospital for Women CN1211-058A, which is nearing completion pending submission of a Final project report. The projected range in that project was \$413 per Level 1 visit to \$1,974 per Level 5 visit.

Medicare/TennCare Payor Mix

- The expected payor mix for the Methodist South Hospital ED project in Year 1 includes 37% for Medicare and 34% for TennCare/Medicaid.
- Methodist Healthcare contracts with all TennCare MCOs in the service area: United Healthcare (AmeriChoice), BlueCare, and TennCare Select.

Financing

A March 6, 2015 letter from Chris McLean, Methodist Healthcare's Senior Vice President of Finance, confirms that Methodist Healthcare-Memphis Hospitals, the applicant's parent company, has sufficient cash reserves on hand at the corporate level to finance the proposed project.

Methodist Healthcare and Affiliates audited financial statements were provided with the application under the heading "Combined Financial Statements and Schedules-Methodist LeBonheur Healthcare and Affiliates". Review of the statements for the period ending December 31, 2013 reported \$35,310,000 for the period ending December 31, 2013, a decrease from \$71,677,000 in cash and cash equivalents as of 12/31/12. However, total current assets actually increased to \$1,083,439,000 from the prior year due to increases in investments and net patient accounts receivable. With total current liabilities of \$895,366,000 as of 12/31/13, it appears that the current ratio of the parent company was approximately 6.0 to 1.0.

Note: current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

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Staffing

The proposed staffing for the emergency department will not change significantly since the project will not increase the number of treatment beds (*note: the TDH summary does note a slight decrease of 4.0 FTEs due to improvements in operating efficiencies and redeployment of personnel to other areas of the hospital*). The staffing of the ED is shown in the table below.

ED Staffing, Methodist South Hospital

Position	Year 1 FTEs	Occupation Title
RNs	51.13	Registered Nurses
Techs/Paramedics	25.88	Emergency Medical Techs and Paramedics
Access Facilitators	19.13	Healthcare Support Workers
Clerical/Support	20.03	Healthcare Support Workers
TOTAL	116.17*	

**Note: in addition to the above positions, review of the applicant's 2013 JAR revealed that the department staffing includes 5 emergency medicine physicians, 2 other specialty physicians and 3 certified nurse practitioners.*

Licensure/Accreditation

Methodist is licensed by the Tennessee Department of Health, Division of Health Care Facilities. Methodist is accredited by The Joint Commission up to thirty-six (36) months beginning April 20, 2013 for the 20 facilities in the Memphis area shown on pages 84 and 85 of the application. The Joint Commission conducted an unannounced full survey from April 15, 2013 through April 19, 2013. A letter dated June 11, 2013 from The Joint Commission recommends continued Medicare certification effective April 20, 2013.

The applicant has submitted the required information on corporate documentation and legal interest in the site. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency office.

According to the Project Completion Forecast Chart, the applicant plans to complete the project by December 2016. Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, pending or denied applications or outstanding Certificates of Need for this applicant.

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Methodist Healthcare-Memphis Hospitals has financial interests in this project. Methodist Healthcare-Memphis Hospitals has no Letters of Intent or pending applications.

Denied Applications

West Clinic, CN1102-006D, had an application denied at the May 25, 2011 Agency meeting. The application was for the establishment of a single specialty ambulatory surgical treatment center (ASTC) limited to radiation therapy for use by only the physicians and patients of the West Clinic, initiate radiation therapy services and acquire a linear accelerator at 100 North Humphreys Blvd., Memphis, Tennessee. The estimated project cost was **\$8,375,057**. *Reason for Denial: The applicant did not establish the need for the additional linear accelerator; thus, the project did not contribute to the orderly development of healthcare.*

Outstanding Certificates of Need

Methodist Healthcare-Memphis Hospital d/b/a West Cancer Center, CN1311-043A, has an outstanding Certificate of Need that will expire on April 1, 2017. The CON was approved at the February 26, 2014 Agency meeting for the establishment of a 109,285 square foot comprehensive cancer center to be operated as an outpatient department of Methodist Healthcare. The facility will be located on 9.63 acres at 7945 Wolf River Boulevard, Germantown (Shelby County), TN 38138. The project includes the relocation of a linear accelerator, positron emission tomography/computed tomography (PET/CT), magnetic resonance imaging (MRI) and computed tomography (CT) services and equipment, to replace MRI equipment, to acquire an additional linear accelerator and to establish ambulatory operating rooms. The estimated total project cost is **\$60,554,193.00**. *Project Status: Review of the March 2015 Annual Project Report revealed that the anticipated completion date of the project is December 2015. Renovation of non-clinical areas in Phase 1 is completed. Construction scheduled for Phase 2 is underway, including site work for a new parking deck and construction of the linear accelerator vaults.*

Methodist Healthcare-dba Le Bonheur Children's Hospital, CN1311-042, has a Certificate of Need that will expire on April 1, 2016. The CON was approved at the February 26, 2014 Agency meeting for the establishment of a pediatric center and to initiate and acquire magnetic resonance imaging (MRI) and computed tomography (CT) service and equipment. The facility will be located at 100 North Humphreys Boulevard, Memphis (Shelby County), TN and will be operated as an outpatient department of LeBonheur Children's Hospital. The estimated project cost is **\$26,798,857**. *Project Status: Review of the March 2015 Annual Project Report revealed that the project is within budget and is expected to be*

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completed by July 2016. Phase 1 for the renovation of space on the second floor is completed, approved by TDH and open for patient services. Renovation of the remainder of the building will commence once the West Clinic relocates to the new location approved in CN1311-043A on or before November 2015.

Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital, CN1208-041A, has an outstanding Certificate of Need that will expire on January 1, 2016. The Certificate of Need was approved at the November 14, 2012 Agency meeting for the replacement and relocation of the ED within the hospital's campus through 93,000 SF of new construction and renovation of 6,200 SF of existing space. The existing CT will be replaced. The estimated project cost is **\$33,488,985.00**. *Project Status: Review of the March 2015 Annual Progress Report revealed that the project is substantially complete. The replacement ED opened in its new location on the hospital campus in September 2014 and has been operational since that time. Only minor work on exterior items remains for landscaping and completion of asphalt work in the circle adjacent to the new ED. The representative states that a Final Project Report will be filed on or before June 30, 2015.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications for other entities proposing this type of service.

Outstanding Certificates of Need

Baptist Memorial Hospital for Women, CN1211-058A, has an outstanding Certificate of Need that will expire April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the construction of an Emergency Department dedicated for pediatric patients and the initiation of Magnetic Resonance Imaging (MRI) services on the Baptist Women's campus. The project will involve 37,500 square feet of new construction. The project does not involve the addition of beds or any other service for which a Certificate of Need is required. The estimated project cost is **\$14,105,241.00**. *Project Status: During initial staff review of Baptist Medical Group, CN1503-010, the applicant advised that the project has been completed and a Final Project Report will be submitted to HSDA. Subsequently, an e-mail was received from Arthur Maples, Director of Strategic Analysis, Baptist Memorial Health Care Corporation on June 5, 2015 confirming that the project has been completed and the company is working on a final project cost to submit with the Final Project Report.*

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH,
DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF**

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THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG
(6/09/15)

LETTER OF INTENT



LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper of general circulation in Shelby County, Tennessee, on or before March 10, 2015 for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Methodist Healthcare-Memphis Hospitals d/b/a Methodist South Hospital (a general hospital), owned and managed by Methodist Healthcare-Memphis Hospitals (a not for profit corporation), intends to file an application for a Certificate of Need for the renovation and expansion of the Emergency Department (ED) and related areas at 1300 Wesley Drive, Memphis, TN 38116. The project involves approximately 12,800 square feet of new space and 9,950 of renovated space. This project does not involve inpatient beds, initiation of services or addition of major medical equipment. The estimated total project costs are approximately \$8,750,000.

The anticipated date of filing the application is on or before March 13, 2015. The contact person for this project is Carol Weidenhoffer, Senior Director of Planning and Business Development, who may be reached at: Methodist Healthcare, 1407 Union Avenue, Suite 300, Memphis, TN, 38104, 901-516-0679.

Carol Weidenhoffer
(Signature)

3/9/15
(Date)

Carol.Weidenhoffer@mlh.org
(E-mail Address)

=====

The Letter of Intent must be **filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:**

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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-Application

Methodist South
Hospital

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Methodist
Healthcare

March 11, 2015

Melanie Hill
Executive Director
State of Tennessee
Health Services and Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, TN 37243

Dear Ms. Hill:

Methodist Healthcare, centered in Shelby County, is one of Tennessee's largest healthcare providers. Methodist Healthcare's principal acute care subsidiary organization is Methodist Healthcare--Memphis Hospitals that owns and operates five Shelby County hospitals, including Methodist South, the applicant for this notice. Methodist South Hospital is the acute care hospital centered in the Whitehaven community in South Memphis. Methodist South is filing a Certificate of Need for the renovation and expansion of the Emergency Department on the hospital campus.

Enclosed in triplicate are the CON application for the project, the affidavit with original signature, and the check for the filing fee. The Publication of Intent for this project was filed in the Commercial Appeal on March 10, 2015. Please let us know if you have any questions or need additional information.

Sincerely,

Carol Weidenhoffer
Senior Director of Planning, Research & Development

Cc: Bryon Trauger

2000746 0113 00000000

1. **Name of Facility, Agency, or Institution**

Methodist Healthcare-Memphis Hospitals d/b/a Methodist South Hospital

Name

1300 Wesley Drive

Address

Shelby

County

Memphis

City

TN

State

38116

Zip Code

2. **Contact Person Available for Responses to Questions**

Carol Weidenhoffer

Name

Senior Director of Planning,
Research and Development

Title

Methodist Le Bonheur Healthcare

Company Name

Carol.Weidenhoffer@mlh.org

E-mail address

1407 Union Avenue, Suite 300

Street or Route

Memphis

City

TN

State

38104

Zip Code

Employee

Association with Owner

901-516-0679

Phone Number

901-516-0621

Fax Number

3. **Owner of the Facility, Agency or Institution** See Attachment A:3

Methodist Healthcare – Memphis Hospitals

Name

901-516-0791

Phone Number

1211 Union Avenue, Suite 700

Street or Route

Shelby

County

Memphis

City

TN

State

38104

Zip Code

4. **Type of Ownership of Control (Check One)** See Attachment A:4

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

 X

F. Governmental (State of TN
or Political Subdivision)

G. Joint Venture

H. Limited Liability Company

I. Other (Specify)

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. **Name of Management/Operating Entity (If Applicable)**

Not Applicable

Name _____

Street or Route _____

County _____

City _____

State _____

Zip Code _____

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. **Legal Interest in the Site of the Institution** See Attachment A:6

- | | | | |
|-------------------------|---------------|--------------------|-------|
| A. Ownership | _____ X _____ | D. Option to Lease | _____ |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of _____ Years | _____ | | |

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. **Type of Institution** (Check as appropriate—more than one response may apply)

- | | | | |
|--|---------------|--|-------|
| A. Hospital (Specify) <u>Acute</u> | _____ X _____ | I. Nursing Home | _____ |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | _____ | J. Outpatient Diagnostic Center | _____ |
| C. ASTC, Single Specialty | _____ | K. Recuperation Center | _____ |
| D. Home Health Agency | _____ | L. Rehabilitation Facility | _____ |
| E. Hospice | _____ | M. Residential Hospice | _____ |
| F. Mental Health Hospital | _____ | N. Non-Residential Methadone Facility | _____ |
| G. Mental Health Residential Treatment Facility | _____ | O. Birthing Center | _____ |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | _____ | P. Other Outpatient Facility (Specify) _____ | _____ |
| | | Q. Other Specify _____ | _____ |

8. **Purpose of Review** (Check as appropriate—more than one response may apply)

- | | | | |
|--|---------------|---|-------|
| A. New Institution | _____ | G. Change in Bed Complement | _____ |
| B. Replacement/Existing Facility | _____ | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | _____ |
| C. Modification/Existing Facility | _____ X _____ | | |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) _____ | _____ | H. Change of Location | _____ |
| E. Discontinuance of OB Services | _____ | I. Other (Specify) _____ | _____ |
| F. Acquisition of Equipment | _____ | | |

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Licensed</u>	<u>Beds *CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	120		108		120
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical	14		14		14
E. ICU/CCU	16		16		16
F. Neonatal	6		6		6
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	156		144		156

*CON-Beds approved but not yet in service

10. **Medicare Provider Number** 44-0049
Certification Type Acute Care Facility

11. **Medicaid Provider Number** 44-0049
Certification Type Acute Care Facility

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?

The applicant, Methodist Healthcare--Memphis Hospitals, is a healthcare provider that operates five Shelby County hospitals under a single license. The system is certified for both Medicare and TennCare/Medicaid; and the system's acute care provider numbers cover all five hospitals--including Methodist South Hospital, which this application addresses.

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCO's/BHO's) operating in the proposed service area. Will this project involve the treatment of TennCare participants? If the response to this item is yes, please identify all MCO's/BHO's with which the applicant has contracted or plans to contract. Discuss any out-of-network relationships in place with MCO's/BHO's in the area.

The Tennessee MCO's/BHO's operating in the project service area are United Healthcare offering United Healthcare Community Plan and Dual Complete (a Special Needs Plan), Blue Cross Blue Shield offering Blue Care and TennCare Select, and Wellpoint offering Amerigroup Community Care plan. The secondary service area for this project also includes DeSoto County, Mississippi, where Medicaid is available.

All of Methodist Healthcare's hospitals treat TennCare participants under the system's TennCare contracts. Methodist Healthcare--Memphis Hospitals contracts with United Healthcare, Blue Cross Blue Shield, Wellpoint, and Medicaid providers in adjoining States.

NOTE: Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

Please also discuss and justify the cost per square foot for this project.

The costs of the project are reasonable and comparable to similar renovations done throughout Methodist Healthcare and Memphis market over the last few years and on recently approved CONs. See the cost per square foot comparison below.

COST PER SQUARE FOOT COMPARISON WITH APPROVED PROJECTS

CON Name	Date Filed	Cost per Square Foot
Methodist University PET Renovation & Relocation	Nov-11	\$ 244
Methodist Memphis Hospital Establish West Cancer Center	Nov-13	\$ 145
Le Bonheur Children's Hospital Establish Pediatric Outpatient Center	Nov-13	\$ 152
Campbell Clinic Surgery Center Construction & Renovation	Aug-12	\$ 244
The Regional Medical Center – The Med Hospital Construction & Renovation	Aug-12	\$ 225
Baptist Memorial Women's Hospital ED Construction & Renovation	Dec-12	\$ 238

If the project involves none of the above, describe the development of the proposal.

Not Applicable.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

Not Applicable.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Proposed Services and Equipment

- This project is for the renovation and expansion of the Emergency Department (ED) at the Methodist South Hospital. The new ED will essentially become a new "front door" to the hospital.
- The existing ED was built over forty year ago for approximately 35,000 annual visits. As volumes grew to exceed this capacity, the fast track area was created for less acute volumes. Yet, space constraints mandated that the non-acute area (or fast track) occupy incongruent clinical space in the connected Medical Office Building (MOB) – almost a football field's length away from the main ED.
- An overarching goal of the project is to create a larger contiguous footprint for emergency services at the hospital. New construction will reposition the existing fast track currently located in the MOB and move it adjacent to the main ED. Methodist will construct 12,724 SF in a new addition and renovate 9,902 SF within the existing ED. The existing 3,800 SF fast track is discrete space in the MOB and is not part of this project.
- The total number of beds will not increase and will remain at a total of thirty-seven beds in the ED. Yet, the size, layout and set-up in the rooms will notably improve with this project. The existing design includes twenty-one non-private cubicles – fourteen in fast track and seven in the main ED. All rooms in the proposed plans will be private rooms.
- Similar to recent construction projects led by Methodist, the facility will be designed as a green building and upon completion the team will pursue Leadership in Energy and Environmental Design (LEED) certification by the U.S. Green Building Council. The design proposal seeks to reduce operating costs by using less energy and water as well as reduce the impacts on the environment.

Ownership Structure

- The applicant, Methodist Healthcare–Memphis Hospitals (Methodist), is a not-for-profit corporation that operates five Shelby County hospitals under a single license. The applicant is a wholly-owned subsidiary of a broader parent organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in healthcare facilities in West Tennessee and North Mississippi. Attachment A:4 contains an organization chart, and information on the facilities owned in whole or in part by Methodist Healthcare.

Service Area

- The project service area consists of Shelby County in Tennessee as the primary service area and DeSoto County in Mississippi as the secondary service area. There is no change to the service area with this project.

Need

- Methodist South is a community hospital, located in the Whitehaven neighborhood in South Memphis. The hospital is an anchoring organization to the Whitehaven community and has been serving the needs of South Memphis for the past forty years while continuously repositioning to address emerging needs. This project furthers those efforts by expanding capacity to improve access to patient and family centered care. Methodist South is a leader in supporting the local community's development and providing vital healthcare needs for the most vulnerable in the market.
- ED visits have increased significantly over recent years. In 2013, more than 62,000 patients visited South's ED, compared to approximately 34,000 in 2006, an eighty-one percent increase. This intense

volume growth driven by inadequate primary care providers in the community and healthcare reform has placed greater demands on the department for improved efficiencies while maintaining high quality standards. This, coupled with insufficient space, has created barriers to efficiency and patient-centeredness.

- The increased levels of visits have exacerbated several issues in the current ED which create barriers for workflow and turnaround times. Space is constrained, visibility is limited with disconnected work areas and design does not provide good pathways for patients. The new design proposes to eliminate patient flow issues by making the space contiguous.
- While volumes increased, patient expectations of care have also increased. Patient experience survey results indicate a need for improved privacy, while our patient and family partners have expressed similar concerns. The new design will promote more patient and family centered care by making all rooms private and larger so family members can be present and be better engaged. Private rooms will also improve infection control while simultaneously creating a quieter and higher-quality healing environment for patients and families.
- Methodist South cares for a disproportionate share of the Mid-South's most vulnerable populations. The benefits of added efficiency and especially patient-centeredness will be particularly helpful to current and future population health management efforts in the community. Through initiatives like Methodist Healthcare's Wellness Wednesdays and Familiar Faces these patients will be navigated to the resources they need.
- The new ED is a long-term solution for the community and area patients.

Existing Resources

- In Shelby County, Tennessee the primary service area, there are ten adult EDs and one pediatric ED. In 2013, the adult facilities treated over 489,745 patients per year, up almost 4% from volumes in 2012 of 472,557.

Project Cost, Funding, Feasibility

- The project cost of \$8,741,872 will be funded in cash by the applicant's parent, Methodist Healthcare. Methodist Healthcare is, and will remain, financially viable.

Staffing

- The project will allow Methodist to reduce four FTEs either through attrition or redeployment within the larger health system with new design plan.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc.

1. Overview of the Project

This project is for the renovation and expansion of the ED at the Methodist South Hospital. The new ED will essentially become a new "front door" to the hospital. Methodist will construct 12,724 SF in a new addition and renovate 9,902 SF within the existing ED for an expanded ED totaling over 22,600 SF with this proposed project.

An overarching goal of the project is to create a larger contiguous footprint for emergency services at the hospital. New construction will reposition the existing fast track currently located in the MOB and move it adjacent to the main ED. The existing main ED was built over forty year ago for approximately 35,000 annual visits. As volumes grew to over 60,000, the fast track area was created to accommodate the less acute volumes. Yet, space constraints mandated that the fast track occupy incongruent clinical space in the connected MOB – almost a football field's length away from the main ED. It is imperative for future service needs to overcome current space constraints and construct the new addition to conjoin the acute and fast track areas. The existing 3,800 SF fast track is discrete space in the MOB as noted and is not part of this project. The determination on how to re-use that space will occur at a later time.

All renovation and construction included in this proposal are on the ground floor on the northwest side of the hospital which borders the parking lot at the corner of Wesley Drive and Pace Street. As part of this project, a new heliport will be built in the northwest corner of this parking lot with a covered walkway to the ambulance vestibule. See Attachments B:III (A) for the Plot Plan and note the location of the new addition, MOB, and heliport for more clarity.

If granted CON approval, the renovated ED will be constructed and scheduled to open by October 2016. The projections in this application use calendar years 2017 and 2018 as the project's first two full years of operation.

2. Detailed Description of the Project

The project will not change the number of ED beds. There are currently thirty-seven (twenty-two acute and fifteen fast track) beds in the ED. Upon project completion, there will be a total of fifteen exam rooms in the main ED (three of which are specialty rooms which are detailed below). In addition, there will be three chest pain center and two trauma/resuscitation rooms in the main ED for a cumulative total of twenty exam rooms in main ED. The non-acute area will include ten fast track rooms and five clinical decision unit rooms for a cumulative total of fifteen exam rooms in the non-acute space. Finally, two of the four triage rooms are fully equipped to function as exam rooms if demand dictates. Thus, the number of rooms remains constant at thirty-seven.

The three specialty rooms include improved functionality for specialized cases, yet they will be set up to "swing" to a standard acute exam room when the specialty functionality is not needed. 1) The infectious disease room is located next to the ambulance vestibule and has an anteroom (smaller room for waiting area or prep room) and a toilet in the room in order to contain infectious diseases and control the patient's contact with other areas. 2) The bariatric room is larger than the normal exam room to accommodate the equipment and fixtures required for obese patients. 3) The behavioral health room contains steel walls that can be shuttered to close off access to gases and other equipment in the room.

In addition to the specialty rooms, there is a new decontamination area which is not counted as an exam room but provides a dedicate space in the event of a hazardous material or contamination event. The decontamination area is adjacent to the ambulance vestibule for immediate access and will be equipped to ensure proper protocols.

Although the total number of ED beds will not increase with the proposed project, the size, layout and set-up in the rooms will notably improve. The current design includes twenty-one non-private cubicles - fourteen in fast track and seven in the main ED. All rooms in the proposed plans will be private rooms improving patient privacy and infection control while simultaneously creating a quieter and higher-quality healing environment for patients and families. The larger private rooms will increase treatment space and room for family, caregivers, and providers. The existing ED has approximately 370 DGSF/bed (department gross square feet per bed) (13,702/37 beds) while the new design will provide approximately 610 DGSF/bed (22,626/37 beds). This is a significant improvement while still conservative expansion which will meet the Methodist South's community urgent and emergent healthcare needs

Another notable improvement which will increase capacity is the proposed results waiting room. The Methodist plans introduce this model for patients essentially ready for discharge yet waiting for lab or diagnostic test results. The room will be staffed as part of the clinical area and not part of the general waiting room. The room will be equipped with recliners and seating for patients and families. This space will increase capacity as patients will be routed here to free-up the exam room for incoming patients and improve turnaround times.

The rooms are also designed with improved and more adaptable storage solutions. Instead of the standard stationary cabinets, the department will equip each exam room with a moveable cart which can be repositioned in the room as needed or removed from the room entirely in the event a patient codes and there is a need for additional staff in the room to revive the patient. The proposed storage solution adds flexibility and functionality.

Patient flow will be more seamless and efficient with the proposed design.

ARRIVAL: An expanded circle drive off Wesley Drive will improve access for patients, families, and ambulances to the ED and the main hospital. There will be a new covered drop-off for walk in patients as well as a new ambulance entrance near the triage area for less acute patients arriving by ambulance. The entrance consists of an expanded waiting room and registration.

TRIAGE AND TREATMENT: The triage area is adjacent to the waiting room. Two of the four triage rooms will be equipped to double as exam rooms as needed or patients will be immediately assessed and routed to the adjoining clinical areas based on acuity levels: the fast track rooms are located closest to the triage area for lower acuity illnesses so they can be treated and released, and the acute rooms are located closer to the inpatient floors. The higher acuity rooms and specialty rooms are in a separate work area and encircle the nurses station and physician work area for efficient workflow and collaboration amongst providers. Higher acuity patients arriving by ambulance will enter through the ambulance vestibule closest to the acute care exam rooms and specialty rooms for immediate access.

DISCHARGE: Patients ready for discharge or waiting for results will flow back towards the entrance into the results waiting room or patient check out areas. Patients requiring extended observation will be transported to the clinical decision unit, and patients in need of inpatient care will be transferred to a floor.

Similar to all recent construction projects led by Methodist, the facility will be designed as a green building and upon completion the team will pursue LEED certification by the U.S. Green Building Council. The design proposal seeks to reduce operating costs by using less energy and water as well as reduce the impacts on the environment.

See Attachments B:III (A) and B:IV for the Plot Plan and Floor Plan.

3. Project Costs and Funding Sources

The total cost of the project for CON purposes is \$8,741,872 with construction costs of \$4,728,050 (or \$209 PSF) excluding site prep and construction contingency. The project costs will be funded by cash contributions from Methodist Healthcare, the parent company of the applicant.

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF *	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
FIRST FLOOR										
Existing Emergency Department	1 st floor	9,902		1 st floor	9,902		9,902			
Connecting Corridor/Gallery/Vestibule	1 st floor			1 st floor		704	704	\$75		\$742,650
Emergency Department Addition	1 st floor			1 st floor		12,020	12,020		\$95	\$66,880
B. Unit/Dept. GSF Sub-Total					9,902	12,724	22,626		\$270	\$3,245,400
C. Mechanical/ Electrical GSF										\$4,054,930
D. Circulation /Structure GSF										
E. Total GSF		9,902			9,902	12,724	22,626			\$4,054,930
OTHER										
Demolition of Existing Canopy										
Site Work									Lump sum	\$10,000
Chiller/Infrastructure Upgrades									Lump sum	\$437,003
Helistop for Helicopter									Lump sum	\$663,120
SUBTOTAL CONSTRUCTION & SITE WORK									Lump sum	\$35,000
Construction cost escalation (10% subtotal)										\$5,200,053
Total		9,902			9,902	12,724	22,626			\$520,005
										\$5,720,058

*NOTE: The existing non-acute/fast track area in the connected MOB is approximately 3,800 SF which is not included in the Existing SF above. It is discrete space which is not part of this project.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application): Not Applicable

1. **Adult Psychiatric Services**
2. **Alcohol and Drug Treatment for Adolescents (exceeding 28 days)**
3. **Birth Center**
4. **Burn Units**
5. **Cardiac Catheterization Services**
6. **Child and Adolescent Psychiatric Services**
7. **Extracorporeal Lithotripsy**
8. **Home Health Services**
9. **Hospice Services**
10. **Residential Hospice**
11. **ICF/MR Services**
12. **Long-term Care Services**
13. **Magnetic Resonance Imaging (MRI)**
14. **Mental Health Residential Treatment**
15. **Neonatal Intensive Care Unit**
16. **Non-Residential Methadone Treatment Centers**
17. **Open Heart Surgery**
18. **Positron Emission Tomography**
19. **Radiation Therapy/Linear Accelerator**
20. **Rehabilitation Services**
21. **Swing Beds**

D. Describe the need to change location or replace an existing facility.

Not Applicable. This is a renovation project.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$2.0 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

Not Applicable. This project does not include the acquisition of major moveable equipment.

1. For fixed-site major medical equipment (not replacing existing equipment): Not Applicable

a. Describe the new equipment, including:

1. **Total cost ;(As defined by Agency Rule).**
2. **Expected useful life of a**
3. **List of clinical applications to be provided;**
4. **Documentation of FDA approval.**

b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment: Not Applicable

- a. List all sites that will be served;**
- b. Provide current and/or proposed schedule of operations;**
- c. Provide the lease or contract cost.**
- d. Provide the fair market value of the equipment; and**
- e. List the owner for the equipment.**

3. **Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

Not Applicable.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include: See Attachment B:III (A) for the plot plan.

1. **Size of site (in acres);**
2. **Location of structure on the site; and**
3. **Location of the proposed construction.**
4. **Names of streets, roads or highway that cross or border the site.**

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

(B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Methodist South Hospital is part of the Whitehaven neighborhood in South Memphis at 1300 Wesley Drive, Memphis, TN 38116. The hospital is conveniently located just east of Elvis Presley Boulevard (Highway 51) – approximately 1 mile from the Graceland Mansion once the home of Elvis Presley. Wesley Drive is located between well-traveled Shelby Drive to the south and Raines Road to the north. The hospital's location near Elvis Presley Boulevard makes it easily accessible from Interstate-240 (I-240) via Interstate 55 (I-55) for area patients via automobile and ambulance. I-240 loops around the city of Memphis with major junctions at I-40 (east-west highway that traverses the state of Tennessee and locally connects Arkansas and Tennessee), I-55 (north-south highway locally connecting Tennessee to Mississippi, northern Arkansas and Missouri), and State Route 385 (loops through East Memphis suburbs) as well as several US Highways including US-64/US-70/US-79, US-78 and US-72.

The Memphis Area Transit Authority (MATA) services this area with Route 46, which lists Methodist South Hospital as a major stop on the route. Please see Attachment B: III (B) for a copy of this public transportation route.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

See Attachment B:IV. for the floor plan.

V. For a Home Health Agency or Hospice, identify: Not Applicable.

1. **Existing service area by County;**
2. **Proposed service area by County;**
3. **A parent or primary service provider;**
4. **Existing branches; and**
5. **Proposed branches.**

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.

The applicant’s mission embodies the spirit of the Guidelines for Growth and the Five Principles to Achieve Better Health as outlined in the State Health Plan. Methodist Healthcare’s mission is to partner with its medical staffs and collaborate with its patients and families to be the leader in high quality, cost effective healthcare in all sectors of its service area. Its geographical distribution makes Methodist Healthcare the area provider with the largest number of entry points, and the most socio-economically diverse patient population. This project complies with the mission and the tenants of the State Health Plan and Guidelines for Growth.

Healthy Lives:

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person’s health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

The Healthy Lives Principle is promoted through the collaboration with clinicians and administrators, as well as our patient and family partners, to expand and renovate the ED so that it meets the needs of today’s patients. Methodist designed the proposed expansion and renovation to improve operational efficiencies, for example, by making the space contiguous to improve communication and flow; providing more privacy will allow patients and family members the environment they need to be involved in patient care. Instead of the current non-private cubicles, patients will be treated in adequately sized and more accommodating private rooms. Methodist has adopted a patient and family centered culture. Associates are encouraged to truly partner with patients and families, not only to involve them in decisions about care, but also gain the benefit of their insights to better plan and deliver care. The core principles for culture are respect and dignity, information sharing, participation, and collaboration. The improved ED design coupled with employment of these principles, patients can achieve better outcomes, and the hospital can improve the care for all ED patients.

Access to Care:

Every citizen should have reasonable access to health care.

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

Methodist Healthcare has strategically placed and maintained hospitals and ambulatory facilities in all quadrants of Shelby County as part of its mission. Methodist South remained committed to the inner city and mission markets even as competitors and other healthcare resources followed the population shift to the east. The community hospital is located in the Whitehaven neighborhood in South Memphis. The hospital is an anchoring organization to the Whitehaven community and has been serving the needs of South Memphis for the past forty years while continuously repositioning to address emerging needs. This project furthers those efforts by expanding capacity to improve access. Methodist South is a leader in supporting the local community's development and providing vital healthcare needs for the most vulnerable in the market. In keeping with the mission, access to healthcare services is not restricted by existing health status, employment, income, geography, or culture.

Economic Efficiencies:

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.

The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

The newly designed and expanded ED will maintain the applicant's scope of emergency services while meeting the patient care needs more completely and efficiently. Long term cost reductions and operating efficiencies will be realized by improved patient flow, reduced wait times, and enhanced communication. Staffing levels will be reduced through attrition or redeployment within the larger health as Associates realize efficiencies in the new contiguous work environment. Cost controls are increasingly part of the quality conversation in healthcare, and the systematic identification and elimination of waste while maintaining or improving quality is imperative for future success.

Quality of Care:

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.

Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

Patient safety and quality are central areas of focus in Methodist hospitals. The framework for Methodist Healthcare's approach to systematic quality improvement includes the following dimensions: safe, timely, effective, efficient, equitable, patient-centered, accessible and sustainable. In the Methodist South ED currently, there are challenges in providing timely and efficient care due to constrained, incongruent space and barriers to optimal patient flows. The goal with the new design is to create adequate clinical space, flexible room configuration, and streamlined designs to deliver patient and family centered care to patients for all acuity levels. The clinical staff will have more opportunity for collaboration across modalities and with physicians for improved quality care. The more efficient flow in the proposed ED has fewer touch points and consolidates work zones for more efficient and timely care for all acuity levels. Moreover, patients and family members will be given the environment they need to be more involved in patient care, improving communication, and thus the patient experience, which will in turn improve quality and outcomes.

Health Care Workforce:

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.

The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

This project includes clinicians and physicians who are dedicated to providing high quality emergency services for the local community. The proposed ED will establish a more effective, efficient, and healing environment for providers. The Methodist South hospital fills a need in the underserved South Memphis community. There is an existing and growing need for primary care and specialty care physicians in this quadrant of the city. The hospital is a stabilizing force that meets this need while attracting private physicians and healthcare entities as partners in care. Additionally, Methodist South partners with the Methodist system and University of Tennessee Health Science Center and rotates ED fellows through their program as part of the broader academic affiliation. The project will further the academic affiliation and support the development, recruitment, and retention of a quality workforce.

- a. **Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.**

Project-Specific Review Criteria: Construction, Renovation, Expansion, and Replacement of Health Care Institutions

1. **Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

Not applicable; no beds, services or major medical equipment are being added to the applicant's licensed organization.

2. **For relocation or replacement of an existing licensed healthcare institution:**

- a. **The applicant should provide plans, which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**
- b. **The applicant should demonstrate that there is acceptable existing and projected future demand for the proposed project.**

Neither a. nor b. are applicable. This project is a renovation and expansion project.

3. **For renovation or expansions of an existing licensed healthcare institution:**

- a. **The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**
- b. **The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.**

The applicant is presenting the detailed justification for the project in this section of the application. Both a. and b. are responded to in the narrative and exhibits beginning below.

DEMAND FOR THE PROJECT

As noted in previous applications, Methodist Healthcare, centered in Memphis, Tennessee, is one of Tennessee's largest healthcare providers, serving populations of diverse socio-economic characteristics across the five-county service area spanning West Tennessee, North Mississippi, and East Arkansas. Methodist Healthcare's primary acute care organization is the applicant for this CON: Methodist Healthcare-Memphis Hospitals, a not-for-profit corporation that owns and operates five Shelby County hospitals. Its five hospitals are operated under a single general hospital license. Methodist South Hospital is the focus of this application.

Methodist remained committed to the inner city and mission markets even as competitors and other healthcare resources followed the population shift to the east. Methodist South Hospital is a 156-bed community hospital committed to providing personalized, compassionate, and high-quality care to patients and families. Methodist South is an anchoring organization to the Whitehaven community. It has been serving the residents of South Memphis and the surrounding area for over forty years by supporting community development and vital healthcare needs for the most vulnerable of populations.

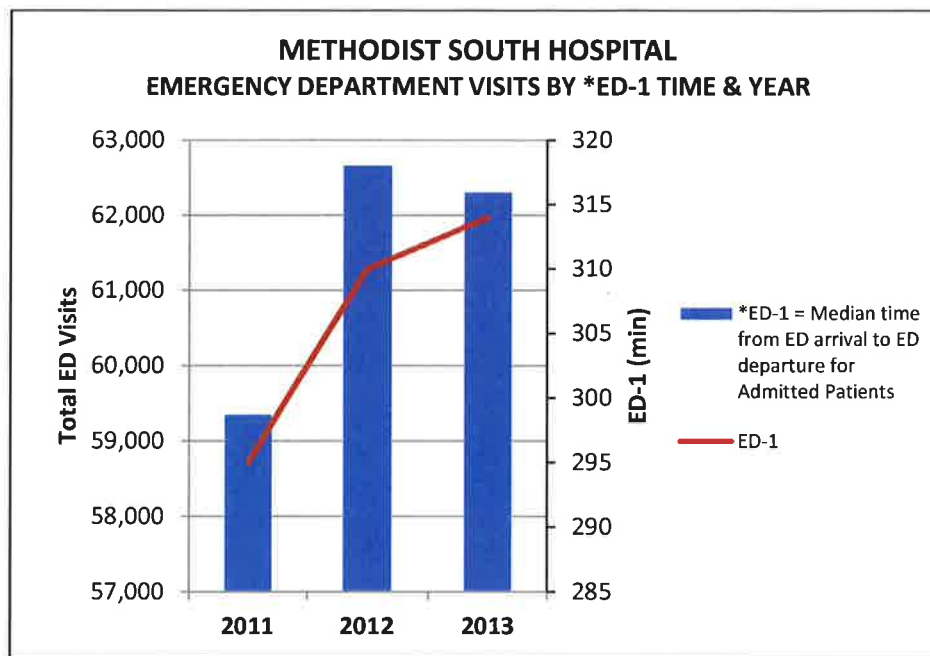
The current ED was built almost forty years ago, designed to accommodate approximately 35,000 patient visits per year. However, emergency visits have increased significantly over recent years. In 2013, more than 62,000 patients visited South's ED, compared to approximately 34,000 in 2006, an eighty-one percent increase in patient volumes over that time period. This intense volume growth driven by inadequate primary care providers in the community and healthcare reform has placed greater demands on the department for improved efficiencies while maintaining high quality standards.

METHODIST SOUTH HOSPITAL EMERGENCY DEPARTMENT VISITS BY YEAR 2006 - 2013

	2006	2007	2008	2009	2010	2011	2012	2013	Growth 2006-13
Visits	34,417	36,967	46,426	54,674	55,522	59,346	62,659	62,300	27,883 (81%)

Source: Joint Annual Report 2006 – 2013 ED Visits

To the best of its ability, Methodist South has modified existing spaces and developed new processes, but there continue to be challenges due to space constraints. As patient volumes increased, the space constraints of the current ED became more and more of a barrier to operational efficiencies, as well as to delivering patient and family centered care. The impact on operational efficiencies is evidenced by the graph below, which shows that annual turnaround times increased as patient volumes increased. The best alternative is to expand and renovate the existing ED to augment operational efficiencies and provide an improved healing and patient and family friendly environment.



At the same time, and rightfully so, patient expectations of care have increased, particularly in regards to patient experience. Patient experience survey results indicate a need for privacy, while, our patient and family partners have expressed similar concerns.



Accordingly, the lack of space prompted a focus on improved privacy. Last year, the Methodist South ED ranked in the thirty-fifth percentile of a national vendor database in terms of patient privacy. This graphic is based on patient comments, when asked to describe their experience. A contributing factor to the perception of a lack of privacy is that more than half of the current beds are non-private cubicles. The new design will correct this with all private rooms. Additionally, rooms will be larger, not only for clinical purposes, but also to accommodate family members to better engage in the treatment plan.

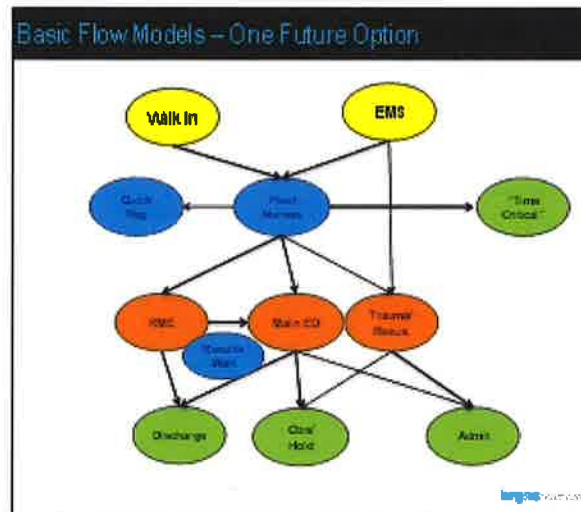
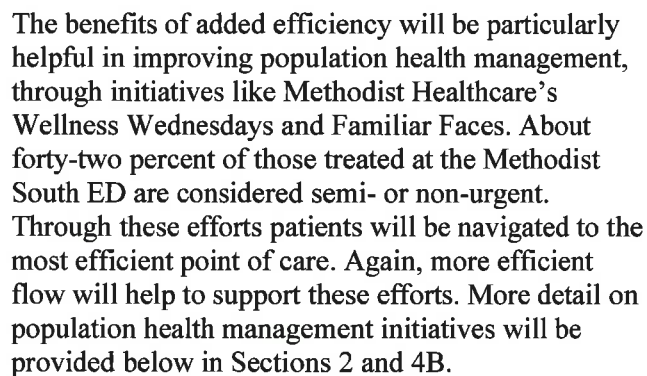
Currently, the Methodist South ED is 370 DGSF per bed (department gross SF per bed), which is considerably less than other emergency departments in the area. This lack of space has made caring for patients that much more difficult. For higher acuity patients, for example, there is a need for more space for certain protocols. Increasing the size of each room and improving room configuration and flexibility will alleviate this problem. Instead of stationary cabinets, rooms will have moveable carts in case the structure of the rooms needs to be changed, depending on the personnel and equipment needed. Also, the proposed project will establish three acute exam rooms that will transform or “swing” into specialty rooms, as needed. The three rooms will fully accommodate the following specialties, respectively: infectious disease, bariatric, and behavioral health.

There are also opportunities to improve the layout of the current ED to improve both workflow and patient flow. For instance, currently, the ED is separated into two, disconnected work areas—acute and non-acute or fast track—that are relatively far from each other, hindering patient flow and contributing to less than optimal staffing, which creates challenges and dissatisfaction for patients, families, providers, and Associates. The proposed design will resolve both by making the two spaces contiguous

METHODIST SOUTH HOSPITAL
% ACUITY LEVEL OF ED VISITS

Acuity Level	Percentage
Urgent	34%
Semi-urgent	39%
Semi-emergent	23%
Emergent	1%

The benefits of added efficiency will be particularly helpful in improving population health management, through initiatives like Methodist Healthcare's Wellness Wednesdays and Familiar Faces. About forty-two percent of those treated at the Methodist South ED are considered semi- or non-urgent. Through these efforts patients will be navigated to the most efficient point of care. Again, more efficient flow will help to support these efforts. More detail on population health management initiatives will be provided below in Sections 2 and 4B.



b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

18

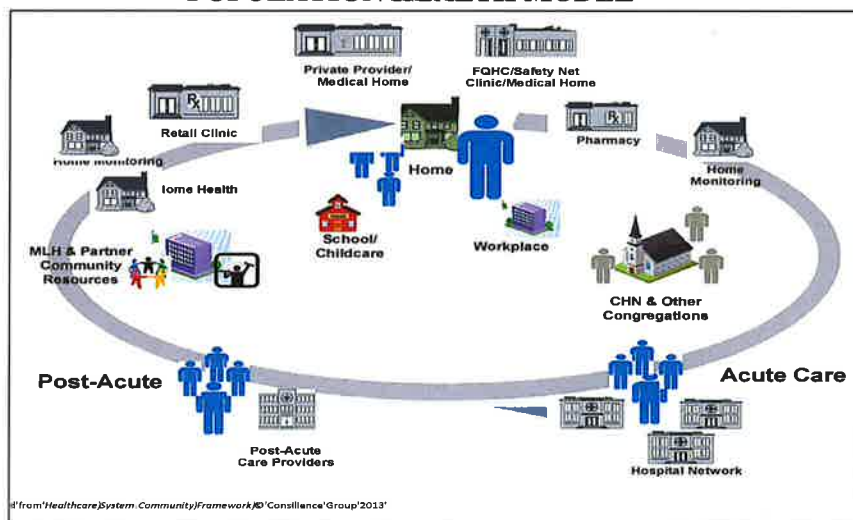
2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Methodist Healthcare's mission is to partner with its medical staffs and collaborate with its patients and families to be the leader in high quality, cost effective healthcare in all sectors of the greater Memphis-Shelby County service area. Methodist Healthcare has strategically placed and maintained hospital and ambulatory facilities in all quadrants of Shelby County as part of that mission, to provide multiple entry points to acute care for communities of varied social and economic characteristics. Methodist South is a clear demonstration of the system's long term commitment to their mission.

Methodist Healthcare has partnered with other healthcare providers, the Church Health Center, Christ Community Health Services, in addition to payer-led Accountable Care Organizations (ACOs) and other community partners, to create an efficient network of services with multiple points of patient access and optimal navigation. The Congregational Health Network (CHN) is a covenant relationship between Methodist hospitals, Mid-South congregations and community health organizations. The CHN provides a network of more than five-hundred congregations and faith communities that are partnering with the health system to share the ministry of caring for patients. The goal of this program is to build stronger relationships with local faith communities in order to improve the patient journey through the complex health system and more broadly to build healthier communities. CHN is the infrastructure supporting the Methodist faith-based outreach projects all over the Mid-South, several of which are in the South Memphis area, including extensive efforts in the 38109 zip code.

Methodist Healthcare is also building on its' identity, assets, and momentum to deliver breakthrough healthcare innovation for population health. With the help of grant funding, Methodist has implemented a population health model in 38109, the largest zip code in South Memphis with dire and significant health disparities. This model has proven to be successful in navigating patients to the most efficient point of care, and, with the added elements of efficiency and patient and family centered care of this project, this effort can be even more effective. The Methodist vision is to build an infrastructure, including culture, integrated data systems, community resource database, mechanisms for collaboration, supportive public policy, and sustainable funding which will support a seamless patient and family centered service delivery continuum. Methodist South is strategically located to meet the needs in the 38109 community and surrounding areas.

**METHODIST HEALTHCARE
POPULATION HEALTH MODEL**



Source: MLH Planning and Marketing, Consilience Group

The approval and completion of the project is important in the fulfillment of the system's long-term financial and strategic commitments to its service area.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

The project service area includes Shelby County, Tennessee as the primary service area, and DeSoto County, Mississippi as the secondary service area. See Attachment Section C: Need (3) for a county level service area map. This service area is deemed reasonable. Note the chart below showing the percentage of ED visits by zip code for 2014.

**METHODIST SOUTH HOSPITAL
EMERGENCY DEPARTMENT VISITS
PERCENTAGE BY ZIP CODE
2014**

County	Zip code	% of Total ED Visits
Shelby	38109	33%
Shelby	38116	28%
Shelby	38106	8%
Shelby	38118	6%
Shelby	38114	5%
Shelby	38115	2%
Shelby	38111	2%
Shelby	38127	1%
DeSoto	38671	1%
DeSoto	38637	1%
Shelby	38126	1%
Shelby	38141	1%
Shelby	38125	1%
Shelby	38128	1%
Shelby	38107	1%
Shelby	38108	1%
Other	Other	8%
Total		100%

4. A. Describe the demographics of the population to be served by this proposal.

The service area total has a population of approximately 1.1 million, almost one million of who reside in Shelby County, and this total population is expected to increase by three percent over the next five years. Likewise, by 2019, there is expected to be a dramatic twenty-four percent increase in persons aged sixty-five years and older, an age group that demands a significant amount of healthcare resources.

In the primary service area, Shelby County, fifty-one percent of the population is Non-Hispanic Black and thirty-eight percent is Non-Hispanic White.

Almost one in three households (thirty percent) in Shelby County report annual household incomes less than \$25,000, seventeen percent of households earn less than \$15,000.

**METHODIST SOUTH HOSPITAL
PROJECT SERVICE AREA – PRIMARY AND SECONDARY
2014 – 2019 POPULATION PROJECTIONS, BY COUNTY**

Demographic Variable/Geographic Area	Shelby County (Primary)	DeSoto County (Secondary)	Service Area Total	State of TN Total
Total Population-2010	932,471	158,997	1,091,468	6,339,947
Total Population-2014	953,917	167,330	1,121,247	6,523,932
Total Population-2019	985,204	175,884	1,161,088	6,769,966
Total Population-% change 2010 to 2014	2%	5%	3%	3%
Total Population-% change 2014 to 2019	3%	5%	4%	4%
Age 65+ Population-2014	110,231	19,269	129,500	968,386
Age 65+ Population-2019	136,519	23,711	160,230	1,155,749
Age 65+ Population-% change 2014 to 2019	24%	23%	24%	19%
Age 65+ Population as % of Total 2014	12%	12%	12%	15%
Age 65+ Population as % of Total 2019	14%	13%	14%	17%
Median Household Income 2014	\$43,296	\$54,550	\$44,919	\$43,766
TennCare Enrollees December 2014	247,688	--	--	1,324,208
TennCare Enrollees as %	26%	--	--	19%
Persons Below Poverty Level 2013	199,215	20,116	219,331	1,128,618
Persons Below Poverty Level as % of Total Population 2013	22%	12%	20%	18%
Source: Market Expert – Claritas Data 2014-2019, U.S. Census Bureau Poverty Estimates 2013 and TennCare Enrollment Data December 2014				

**POPULATION ANALYSIS
SHELBY COUNTY – PRIMARY SERVICE AREA
2014 POPULATION ESTIMATES**

2014 Demographic Snapshot Area: Shelby Service Area									
DEMOGRAPHIC CHARACTERISTICS									
	Selected Area	USA				2014	2019	% Change	
2010 Total Population	932,471	308,745,538			Total Male Population	456,170	472,882	3.7%	
2014 Total Population	953,917	317,199,353			Total Female Population	497,747	512,322	2.9%	
2019 Total Population	985,204	328,309,464			Females, Child Bearing Age (15-44)	202,574	202,913	0.2%	
% Change 2014 - 2019	3.3%	3.5%							
Average Household Income	\$62,052	\$71,320							
POPULATION DISTRIBUTION					HOUSEHOLD INCOME DISTRIBUTION				
Age Distribution					Income Distribution				
Age Group	2014	% of Total	2019	% of Total	USA 2014	2014 Household Income	HH Count	% of Total	USA
0-14	200,502	21.0%	201,429	20.4%	19.3%	<\$15K	62,618	17.3%	13.3%
15-17	43,261	4.5%	42,006	4.3%	4.1%	\$15-25K	45,613	12.6%	11.2%
18-24	98,198	10.3%	98,961	10.0%	10.0%	\$25-50K	93,421	25.9%	24.4%
25-34	132,511	13.9%	134,419	13.6%	13.2%	\$50-75K	62,146	17.2%	17.9%
35-54	251,949	26.4%	248,815	25.3%	26.6%	\$75-100K	36,317	10.0%	11.9%
55-64	117,265	12.3%	123,055	12.5%	12.6%	Over \$100K	61,254	17.0%	21.3%
65+	110,231	11.6%	136,519	13.9%	14.2%				
Total	953,917	100.0%	985,204	100.0%	100.0%	Total	361,369	100.0%	100.0%
EDUCATION LEVEL					RACE/ETHNICITY				
Education Level Distribution					Race/Ethnicity Distribution				
2014 Adult Education Level	Pop Age 25+	% of Total	USA	% of Total	Race/Ethnicity	2014 Pop	% of Total	USA	% of Total
Less than High School	26,969	4.4%	6.0%		White Non-Hispanic	366,073	38.4%	62.1%	
Some High School	55,957	9.1%	8.2%		Black Non-Hispanic	486,874	51.0%	12.3%	
High School Degree	171,920	28.1%	28.4%		Hispanic	61,746	6.5%	17.6%	
Some College/Assoc. Degree	179,236	29.3%	29.0%		Asian & Pacific Is. Non-Hispanic	22,743	2.4%	5.1%	
Bachelor's Degree or Greater	177,874	29.1%	28.4%		All Others	16,481	1.7%	3.0%	
Total	611,956	100.0%	100.0%		Total	953,917	100.0%	100.0%	

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Certain demographic information, including percent elderly and racial minorities, is detailed in Section 4A above.

The special needs of the service area population, particularly the significant health disparities in the South Memphis area, were key factors in the planning for this project. One out of five individuals in the total service area is below the poverty level, which is more than the state average. The proportion is slightly higher for Shelby County, and, accordingly, there are a large number of TennCare enrollees in this service area: twenty-six percent in Shelby County. The South ED in particular cares for a disproportionately high number of these TennCare enrollees, making up about forty percent of those treated.

Furthermore Shelby County is one the least healthy counties in Tennessee. According to County Health Rankings, a Robert Wood Johnson Foundation resource, Shelby County ranks among the bottom half of Tennessee counties, based on health outcomes and other health factors. In terms of socioeconomic factors—such as education levels, children in poverty, available social support, single-parent households, violent crime, etc. —Shelby County ranks eightieth out of ninety-five Tennessee counties.

Methodist South cares for a disproportionate share of those affected by such socioeconomic factors. Based on the findings of Methodist Healthcare's Community Health Needs Assessment, the health and well-being of the South Memphis community served by Methodist South was especially impacted. Even compared to other Mid-South communities, this community reported significantly higher prevalence of chronic diseases, especially cardiovascular disease and diabetes.

Methodist South is well positioned to treat these community needs and, with the additional efficiency and especially the patient centeredness added by this project, it will expand and advance the health care of this population. The Congregational Health Network and efforts like Wellness Wednesdays and Familiar Faces, in tandem with the expanded and renovated South ED, will further Methodist's efforts.

In March of 2013, Methodist Healthcare launched a population health initiative to address health disparities in 38109. The two-tier approach includes 1) Wellness Wednesdays, a monthly wellness event held in 38109 at the Riverview Community Center and 2) Familiar Faces, which began in 2014, a population health strategy to educate patients and curve readmission rates for the high utilizers of health services in the 38109 community. The main objectives for the initiative are:

- To increase health awareness and disease prevention for the 38109 community by providing health screenings, educational information, and related activities
- To reduce readmission rates
- To increase awareness of local, state, and national health services and resources.
- To improve access and navigate participants to appropriate local and state health care and other social service resources, as eligible
- To motivate participants to make positive health behavior changes.
- To teach better self-management practices.

Through the Wellness Wednesday project, Methodist serviced over 1,000 individuals - mainly in the Riverview Kansas neighborhood which houses roughly 2,500 individuals.

The Familiar Faces project saw success within the first nine months of the program with outcomes metrics such as length of stay, days between stays, and reduction of costs which were down thirty-nine

percent for the patient population. The success in part is a result of the Community Health Navigator, model. A navigator is paired with the patient at the time of hospital encounter. The navigator walks hand-in-hand with the patient and becomes the patient's partner in care.

The strategic vision is to expand both initiatives and become trusted partners in care and continue to understand and meet the special needs of the residents in these surrounding neighborhoods.

5. **Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

**METHODIST TENNESSEE SERVICE AREA
EMERGENCY DEPARTMENT VISITS, 2009-2013**

Facility	2009	2010	2011	2012	2013
Methodist University Hospital	51,205	54,765	56,725	60,902	62,587
Methodist South Hospital	54,674	55,522	59,346	62,659	62,300
Methodist North Hospital	45,670	53,336	59,726	66,862	69,062
Methodist Le Bonheur Germantown Hospital	43,512	43,757	48,109	53,937	54,914
Le Bonheur Children's Hospital*	69,004	44,017	48,128	51,300	55,358
Regional Medical Center	55,591	47,669	45,189	48,985	55,963
Baptist Memorial Hospital-Memphis	56,966	56,862	56,862	58,333	60,274
Baptist Memorial Hospital-Collierville	15,880	16,104	16,602	17,735	16,714
St. Francis-Park	37,014	37,223	39,853	42,198	44,856
St. Francis-Bartlett	28,439	29,666	31,353	36,561	36,616
Delta Medical Center	19,070	20,629	24,350	24,385	26,459
*NOTE: Fast Track visits were included in Le Bonheur's 2009 volumes and not in the following years					

No approved yet unimplemented CONs exist for ED services in the Service Area.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

**METHODIST SOUTH HOSPITAL
ACTUAL AND PROJECTED ED VISITS
2011 - 2018**

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014 Preliminary	Projected Year 1 2017	Projected Year 2 2018
Methodist South Hospital	34,417	36,967	46,426	54,674	55,522	59,346	62,659	62,300	62,528	62,397	62,791
Annual Growth Rate		7.4%	25.6%	17.8%	1.6%	6.9%	5.6%	-0.6%	0.4%	-0.2%	0.6%

Methodology Assumptions:

- Methodist analyzed historical growth trends noting significant annual growth from 2006 to 2013 then volumes stabilized with reform and early results of Methodist projects targeting ED utilization.
- Given the availability of hospital specific data as well as knowledge of local ED utilization, projected volumes are conservatively projected to remain somewhat stable in the first two years of the project as noted above. The majority of the growth is patients admitted for inpatient services which will be driven by the aging of the population in the service area. The growth is tempered by the projections that lower acuity patients will shift to lower cost settings for care.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)

The CON filing fee calculated from Line D of the Project Costs Chart is \$19,625; therefore a check for this amount accompanies the application.

- The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.

Not Applicable.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Not Applicable.

- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs

A letter from the architect follows as Attachment C: Economic Feasibility (1)(d).

PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:

1.	Architectural and Engineering Fees	\$489,004
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	10,000
3.	Acquisition of Site	-
4.	Preparation of Site	472,003
5.	Construction Costs	4,728,050
6.	Contingency Fund	893,708
7.	Fixed Equipment (Not included in Construction Contract)	-
8.	Moveable Equipment (List all equipment over \$50,000) See Attachment C: Economic Feasibility (1)(A)(8)	2,004,482
9.	Other (Specify) Cost of movements to keep ED operating during construction	125,000

B. Acquisition by gift, donation, or lease:

1.	Facility (inclusive of building and land)	
2.	Building only	
3.	Land only	
4.	Equipment (Specify) _____	
5.	Other (Specify) _____	

C. Financing Costs and Fees:

1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify) _____	

**D. Estimated Project Cost
(A+B+C)**

8,722,247

E. CON Filing Fee

19,625

**F. Total Estimated Project Cost
(D+E)**

TOTAL

\$8,741,872

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding **MUST** be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

	A. Commercial loan —Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
	B. Tax-exempt bonds —Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
	C. General obligation bonds —Copy of resolution from issuing authority or minutes from the appropriate meeting.
	D. Grants —Notification of intent form for grant application or notice of grant award; or
X	E. Cash Reserves —Appropriate documentation from Chief Financial Officer.
	F. Other —Identify and document funding from all other sources.
	Methodist Healthcare is prepared to fund the project cost with cash reserves. See the attached letter from the Chief Financial Officer. Attachment C: Economic Feasibility (2)

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Total construction costs excluding site prep and construction contingency are \$4,728,050 (or \$209 PSF). The costs of the project are reasonable and comparable to similar renovations done throughout Methodist Healthcare over the last few years and on recently approved CON's. See the cost per square foot comparison below.

COST PER SQUARE FOOT COMPARISON WITH APPROVED PROJECTS

CON Name	Date Filed	Cost per Square Foot
Methodist University PET Renovation & Relocation	Nov-11	\$ 244
Methodist Memphis Hospital Establish West Cancer Center	Nov-13	\$ 145
Le Bonheur Children's Hospital Establish Pediatric Outpatient Center	Nov-13	\$ 152
Campbell Clinic Surgery Center Construction & Renovation	Aug-12	\$ 244
The Regional Medical Center – The Med Hospital Construction & Renovation	Aug-12	\$ 225
Baptist Memorial Women's Hospital ED Construction & Renovation	Dec-12	\$ 238

4. Complete Historical and Projected Data Charts on the following two pages—Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Following this page are the Historic Data Chart for Methodist Healthcare-Memphis Hospitals, and a Projected Data Chart for the ED Project at Methodist South Hospital.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

The average amounts below are calculated using the projected data chart for Methodist South Hospital in year 1.

	Average per ED Visit	
Average Gross Charge	\$	5,317
Average Deduction		4,174
Average Net Charge	\$	1,143

HISTORICAL DATA CHART

Methodist Healthcare-Memphis Hospital

Give information for the last *three (3)* years for which complete data are available for the facility or agency.

The fiscal year begins in January (Month).

	Year <u>2012</u>	Year <u>2013</u>	Year <u>2014</u>
A. Utilization Data (Patient Days)	<u>350,714</u>	<u>350,492</u>	<u>335,100</u>
B. Revenue from Services to Patients	(in thousands)		
1. Inpatient Services	\$ <u>2,547,551</u>	\$ <u>2,644,207</u>	\$ <u>2,678,760</u>
2. Outpatient Services	<u>2,028,543</u>	<u>2,218,430</u>	<u>2,405,178</u>
3. Emergency Services	<u>285,982</u>	<u>298,270</u>	<u>328,626</u>
4. Other Operating Revenue (See Attachment*)	<u>29,498</u>	<u>44,223</u>	<u>56,953</u>
Gross Operating Revenue	\$ <u>4,891,574</u>	\$ <u>5,205,130</u>	\$ <u>5,469,517</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$ <u>3,052,543</u>	\$ <u>3,287,258</u>	\$ <u>3,516,744</u>
2. Provision for Charity Care	<u>338,430</u>	<u>341,292</u>	<u>357,553</u>
3. Provisions for Bad Debt	<u>142,763</u>	<u>153,981</u>	<u>145,199</u>
Total Deductions	\$ <u>3,533,736</u>	\$ <u>3,782,531</u>	\$ <u>4,019,496</u>
NET OPERATING REVENUE	\$ <u>1,357,838</u>	<u>1,422,599</u>	<u>1,450,021</u>
Operating Expenses			
1. Salaries and Wages	\$ <u>433,147</u>	\$ <u>438,363</u>	\$ <u>434,253</u>
2. Physician's Salaries and Wages	<u>4,073</u>	<u>5,743</u>	<u>4,215</u>
3. Supplies	<u>301,936</u>	<u>315,512</u>	<u>315,558</u>
4. Taxes	<u>1,762</u>	<u>1,243</u>	<u>1,720</u>
5. Depreciation	<u>72,894</u>	<u>73,254</u>	<u>77,924</u>
6. Rent	<u>7,098</u>	<u>6,210</u>	<u>5,127</u>
7. Interest, other than Capital	<u>-</u>	<u>-</u>	<u>-</u>
8. Management Fees a) Fees to Affiliates	<u>3,661</u>	<u>3,649</u>	<u>3,663</u>
b) Fees to Non-Affiliates	<u>3,191</u>	<u>3,259</u>	<u>4,361</u>
9. Other Expenses (See Attachment*)	<u>451,052</u>	<u>482,621</u>	<u>507,778</u>
Total Operating Expenses	\$ <u>1,278,804</u>	\$ <u>1,329,853</u>	\$ <u>1,354,599</u>
E. Other Revenue (Expenses) – Net	\$ <u>33,243</u>	\$ <u>34,763</u>	\$ <u>34,385</u>
NET OPERATING INCOME (LOSS)	\$ <u>112,277</u>	<u>127,509</u>	<u>129,807</u>
F. Capital Expenditures			
1. Retirement of Principal	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
2. Interest	<u>24,053</u>	<u>27,620</u>	<u>26,754</u>
Total Capital Expenditures	\$ <u>24,053</u>	\$ <u>27,820</u>	\$ <u>26,754</u>
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	\$ <u>88,224</u>	<u>99,889</u>	<u>103,053</u>

**Attachment C: Economic Feasibility Other*

PROJECTED DATA CHART

Methodist South Hospital – Emergency Department Project

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year	1	Year	2
A. Utilization Data (ED Visits)		62,397		62,791
B. Revenue from Services to Patients		(in thousands)		
1. Inpatient Services	\$	169,902	\$	173,300
2. Outpatient Services		119,772		120,371
3. Emergency Services		42,082		42,293
4. Other Operating Revenue		-		-
Gross Operating Revenue	\$	331,757	\$	335,964
C. Deductions from Gross Operating Revenue				
1. Contractual Adjustments	\$	198,367	\$	200,474
2. Provision for Charity Care		46,255		46,747
3. Provisions for Bad Debt		15,839		16,007
Total Deductions	\$	260,461	\$	263,228
NET OPERATING REVENUE	\$	71,296		72,736
D. Operating Expenses				
1. Salaries and Wages	\$	29,156	\$	29,884
2. Physician's Salaries and Wages		199		204
3. Supplies		8,654		8,914
4. Taxes		-		-
5. Depreciation		1,884		1,884
6. Rent		-		-
7. Interest, other than Capital		-		-
8. Management Fees		7,800		7,839
	a.) Fees to Affiliates			
	a.) Fees to Non-Affiliates	-		-
8. Other Expenses	(See Attachment*)	18,786		18,880
Total Operating Expenses	\$	66,479	\$	67,605
E. Other Revenue (Expenses) -- Net	\$	-	\$	-
NET OPERATING INCOME (LOSS)	\$	4,817	\$	5,130
F. Capital Expenditures				
1. Retirement of Principal		-		-
2. Interest		-		-
Total Capital Expenditures	\$	-	\$	-
NET OPERATING INCOME (LOSS)				
LESS CAPITAL EXPENDITURES	\$	4,817	\$	5,130

**Attachment C: Economic Feasibility Other*

6. **A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

There will be no change to the existing charge structure as a result of this project, yet there will be normal unrelated rate increases over the next several years. See the current ED Visit charges below.

Procedure	Current Rate
Level 1	\$ 460
Level 2	\$ 536
Level 3	\$ 801
Level 4	\$ 1,303
Level 5	\$ 1,523

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projected recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).**

The applicant is using a recent CON filed in 2012 by Baptist Memorial Hospital for Women (CN1211-058) for ED expansion and renovation. A comparison is provided below with a column for an assumption that these rates were increased 2% per year to 2014 rates for better comparison. The 2% is a conservative assumption for annual price inflation. Also, included in the chart is a column for actual average Methodist Medicare Reimbursement for 2014. Based upon the review, the proposed charges are reasonable and comparable. There will be no impact to the charge structure due to this project.

**METHODIST SERVICE AREA
ED VISIT CHARGE COMPARISON**

Facility	Baptist Memorial Women 2012	Baptist Memorial Women Projected 2014	Medicare Reimbursement 2014
Level 1	\$397	\$413	\$ 55.45
Level 2	\$463	\$482	\$103.40
Level 3	\$692	\$720	\$181.87
Level 4	\$1,126	\$1,171	\$306.00
Level 5	\$1,897	\$1,974	\$451.66

7. **Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

The projections in this application demonstrate that Methodist will remain financially viable. The comparisons of average charges at facilities of similar approved scope, as documented in the previous section, demonstrate that the applicant will remain relatively cost-effective.

The most successful healthcare organizations must not only deliver high-quality care, but also do so with minimum waste. Cost controls are increasingly part of the quality conversation in healthcare, and the systematic identification and elimination of waste while maintaining or improving quality is imperative for future success. Methodist Healthcare remains committed to providing sustainable, high-quality care. To do so going forward, we are compelled to focus on enhancing the entire experience of care for patients, while managing the costs of delivering that care.

- 8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

As reflected in this application's historic and projected data charts, Methodist South Hospital and Methodist Healthcare-Memphis Hospitals are viable today, and will remain financially viable during its first two years of operation and subsequently.

- 9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

Methodist South Hospital currently serves the Medicare, TennCare, and medically indigent populations. The estimated payer mix for 2017, the first full year of operation, is shown below.

Payor	Gross Revenue (In Thousands)	% of Total Revenue
Medicare	\$122,661	37%
TennCare/Medicaid	\$111,758	34%
Self Pay	\$34,865	11%
Commercial/Other	\$62,473	19%
Total	\$331,757	100%

- 10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Audited financials and cash are held at the corporate level, therefore, please see the attached most recent audited financials for Methodist Healthcare. Also, a balance sheet for the period ending January 2015 for Methodist Healthcare is included along with an income statement for Methodist Healthcare-Memphis Hospitals. See Attachment C: Economic Feasibility (10).

- 11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**

- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

- b. **The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

Response to a. and b. above:

Methodist Healthcare evaluated the health care services, community benefits, and cost effectiveness for expanding the ED at Methodist South Hospital over the past two years. Throughout the extensive research and business planning, the alternative to 'do nothing' was discussed. Yet, ignoring the inefficiencies, barriers to access, incongruent space, and lack of space this option was unacceptable.

With the decision that new space was imperative to correct the space constraints and flow issues, Methodist engaged architects to evaluate the best solution. One of the alternate was to employ the inner core model that Methodist University Hospital used in the design of their new ED. While this model is efficient and addresses many of the concerns experienced in the South ED, it was more costly for a renovation project. The Methodist University ED project was all new construction, therefore, there were no limitation with existing layouts. Methodist South leaders opted to minimize expenses more the more extensive renovation and work with the existing design.

The most viable option is to renovate and expand the ED as proposed in this application.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

Methodist Healthcare has working relationships with the following physician groups:

- The West Clinic
- UT Medical Group, Inc.
- UT Le Bonheur Pediatric Specialists
- Campbell Clinic Orthopaedics
- Duckworth Pathology Group
- Pediatric Anesthesiologists PA
- Pediatric Emergency Specialists PC
- Semmes-Murphey Neurologic and Spine Institute
- Methodist Primary and Specialty Care Groups (See Attachment A:4 for Organizational Chart)

The Methodist Healthcare-Memphis Hospitals' license includes five hospitals:

- Methodist Healthcare-University Hospital
- Methodist Healthcare-South Hospital
- Methodist Healthcare-North Hospital
- Methodist Healthcare-Le Bonheur Germantown Hospital
- Le Bonheur Children's Hospital

Additionally, Methodist Healthcare owns and operates Methodist Alliance Services, a comprehensive home care company, and a wide array of other ambulatory services such as minor medical and urgent care centers, outpatient diagnostic centers and ambulatory surgery centers.

Methodist Healthcare is part of the University Medical Center Alliance which also includes the University of Tennessee and the Memphis Regional Medical Center (The Med). The goal of this council is to support the quality of care, patient safety and efficiency across all three institutions.

There are also agreements with the Mid-South Tissue Bank, the Mid-South Transplant Foundation, Duckworth Pathology and PhyAmerica.

A list of managed care contracts is attached in Attachment C: Orderly Development (1).

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

Methodist Healthcare is committed to serving Shelby County and the greater Mid-South community. In order to uphold this commitment, Methodist strategically placed and maintained hospital and ambulatory facilities in all quadrants of Shelby County. As noted throughout the application, Methodist South remained in the inner city as competitors relocated to the east market in search of commercial market share. Methodist South is an anchoring organization to the Whitehaven community and has been serving the needs of South Memphis for the past forty years while continuously repositioning to address emerging needs. This project is the next investment in this community, and as such will have a positive impact on the Shelby County health care community. The project does not propose to increase the applicant's market share, yet stabilizes the hospital to sustain in this changing health care environment.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

See table below for the FTE's by position and prevailing wage patterns in the service area.

All positions at Methodist are reviewed at least annually for market competitiveness. Tools for analysis for this review are comprised of several local and regional surveys, as well as several national surveys. Methodist strives to be competitive in pay and pay reported in the aforementioned surveys.

**METHODIST HEALTHCARE
CURRENT PREVAILING WAGES AND
ANTICIPATED CLINICAL STAFFING PATTERNS**

	Methodist South ED Department Only plus Access Services				BLS 2013 Memphis MSA Data *		
Methodist Position Title	FTE' s Yr 1	FTE' s Yr 2	Mid Hourly 2015	Mid Annual 2015	Mean Hourly	Mean Annual	BLS Occupation Title
RNs	51.13	51.13	\$28.38	\$59,030	\$28.78	\$59,860	Registered Nurses
Techs/Paramedics	25.88	25.88	\$18.26	\$37,981	\$18.12	\$37,680	Emergency Medical Techs and Paramedics
Access Facilitators	19.13	19.13	\$13.66	\$28,413	\$12.60	\$26,200	Healthcare Support Workers
Clerical/Support	20.03	20.03	\$12.39	\$25,771	\$12.60	\$26,200	Healthcare Support Workers
Total	116.17	116.17					
* Source: Bureau of Labor Statistics – May 2013 MSA Occupational Employment & Wage Estimates – Memphis TN/MS/AR							

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

Staffing will not be increased with this project, yet will decrease by approximately four FTEs. Efficiencies gained from the new contiguous design will support the redeployment of personnel in positions that are no longer needed into other areas of the hospital. Methodist fortunately has the resources to successfully support these efforts.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.***

The applicant so verifies. Methodist South Hospital reviewed and meets all the State requirements for physician supervision, credentialing, admission privileges, and quality assurance policies and programs, utilization review policies and programs, record keeping and staff education.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Methodist Healthcare has clinical affiliation agreements with multiple colleges including over twenty for nursing, thirty for rehabilitation service professionals (physical therapy, speech therapy, and audiology), three for pharmacy, and almost twenty for other allied health professionals including paramedics, laboratory, respiratory therapy, radiation therapy technicians. There are approximately 1400 students annually participating in these programs.

Methodist participates very heavily in the training of students from various medical disciplines. Since relationships exist with most of the schools in Memphis, most of the students have also been trained academically in this region. The three primary disciplines that participate in the training of students at Methodist are medicine, nursing and psychosocial services.

In the area of medicine, there are many different specialties represented in the interns and residents who train at Methodist – there are more than twenty different specialties. Likewise, since there are several nursing schools in the area, Methodist is very active in the training of future nurses. These nurses come from several types of programs, which include Bachelor's Degrees, Associate Degrees, Licensed Practical Nurse programs and Diploma programs. Methodist participates in training of students from the following schools:

Methodist Healthcare
University of Memphis
Baptist Health System
Southwest Tennessee Community College

University of Tennessee
Northwest Mississippi Jr. College
Regional Medical Center
Tennessee Centers of Technology

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Methodist South Hospital has reviewed these, and meets all applicable requirements of the Department of Health. Other departments are not involved with this facility.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

The general hospital license held by Methodist Healthcare-Memphis Hospitals d/b/a Methodist South Hospital is from the Tennessee Department of Health, Board for Licensing Health Care Facilities.

Accreditation:

The accreditation agency for Methodist South Hospital is the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), from whom the hospital has full accreditation.

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Methodist South Hospital is in good standing with the Department of Health, the Healthcare Facility Licensing Board, and JCAHO. (See Attachment C: Orderly Development (7)(c))

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

Documentation regarding deficiencies and approved plan of correction in our licensure is attached.
See Attachment C: Orderly Development (7)(d)(1) and C: Orderly Development (7)(d)(2).

- 8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

None

- 9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

None

- 10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

Should this application be approved, Methodist South Hospital will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

The full page of the Commercial Appeal newspaper in which the Notice of Intent appeared is attached as Attachment C: Proof of Publication.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

See the Project Completion Forecast Chart on the following page.

2. **If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.**

Not Applicable. The applicant does not anticipate an extended schedule for this project.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68 –11-1609(c): June 2015

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	<u>5</u>	<u>June 2015</u>
2. Construction documents approved by the Tennessee Department of Health	<u>30</u>	<u>August 2015</u>
3. Construction contract signed	<u>5</u>	<u>September 2015</u>
4. Building permit secured	<u>5</u>	<u>September 2015</u>
5. Site preparation completed	<u>3</u>	<u>September 2015</u>
6. Building construction commenced	<u>1</u>	<u>September 2015</u>
7. Construction 40% complete	<u>150</u>	<u>February 2016</u>
8. Construction 80% complete	<u>150</u>	<u>July 2016</u>
9. Construction 100% complete (approved for occupancy)	<u>60</u>	<u>September 2016</u>
10. *Issuance of license	<u>10</u>	<u>September 2016</u>
11. *Initiation of service	<u>5</u>	<u>October 2016</u>
12. Final Architectural Certification of Payment	<u>30</u>	<u>November 2016</u>
13. Final Project Report Form (HF0055)	<u>30</u>	<u>December 2016</u>

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final

ATTACHMENTS

INDEX OF ATTACHMENTS

A:3	Certificate of Existence
A:4	Ownership-Legal Entity and Organization Chart
A:6	Site Control
B:III (A)	Plot Plan
B:III (B)	Public Transportation Routes
B:IV	Floor Plans
C: Need (3)	Service Area Map
C: Economic Feasibility (1)(d)	Documentation of Construction Cost Estimate
C: Economic Feasibility (1)(A)(8)	List of Equipment Over \$10,000
C: Economic Feasibility (2)	Documentation of Availability of Funding
C: Economic Feasibility Other	Historical and Projected Data Charts – Listing of Other Revenue and Expense
C: Economic Feasibility (10)	Financial Statements
C: Orderly Development (1)	List of Managed Care Contracts
C: Orderly Development (7)(c)	License from Board of Licensing Health Care Facilities
C: Orderly Development (7)(d)(1)	TDH Licensure Verification Letters
C: Orderly Development (7)(d)(2)	JCAHO Accreditation and Survey Summary
C: Proof of Publication	Proof of Publication

A:4 Ownership- Legal Entity and Organization Chart

Methodist Le Bonheur Healthcare

Methodist Healthcare – Memphis Hospitals (“MHMH”)
 Five (5) primary facilities:

Methodist University Hospital
Methodist North Hospital
Methodist South Hospital
Methodist Le Bonheur Germantown Hospital
Le Bonheur Children’s Hospital

UT Methodist Physicians, LLC

Le Bonheur Patient Transportation, LLC

Le Bonheur Pediatrics, LLC

Methodist Inpatient Physicians, LLC

Specialty Physician Group, LLC

SPG II, LLC

Division of Clinical Neurosciences, LLC

Primary Care Group, LLC

Foundation Primary Care, LLC

PCG II, LLC

Methodist Healthcare – Fayette Hospital (“MHFH”)

Methodist Healthcare – Olive Branch Hospital

Methodist Extended Care Hospital, Inc. (“MECH”)

Methodist Healthcare Primary Care Associates (“MHPCA”)

Methodist Specialty Physician III, LLC

Methodist Specialty Physician VI, LLC (1)

Methodist Specialty Physician VII, LLC (1)

Methodist Healthcare Foundation (“MHF”)

Le Bonheur Children’s Hospital Foundation (“LCMCF”)

Le Bonheur Community Health and Well-Being
 (“LCHWB”)

Alliance Health Services, Inc. (“AHS”)

Methodist Healthcare Community Care Associates
 (“MHCCA”)

Methodist Healthcare Dialysis Center, LLC

DeSoto Diagnostic Imaging, LLC (1)

Ambulatory Operations, Inc. (1)

Le Bonheur East Surgery Center II, L.P. (1)

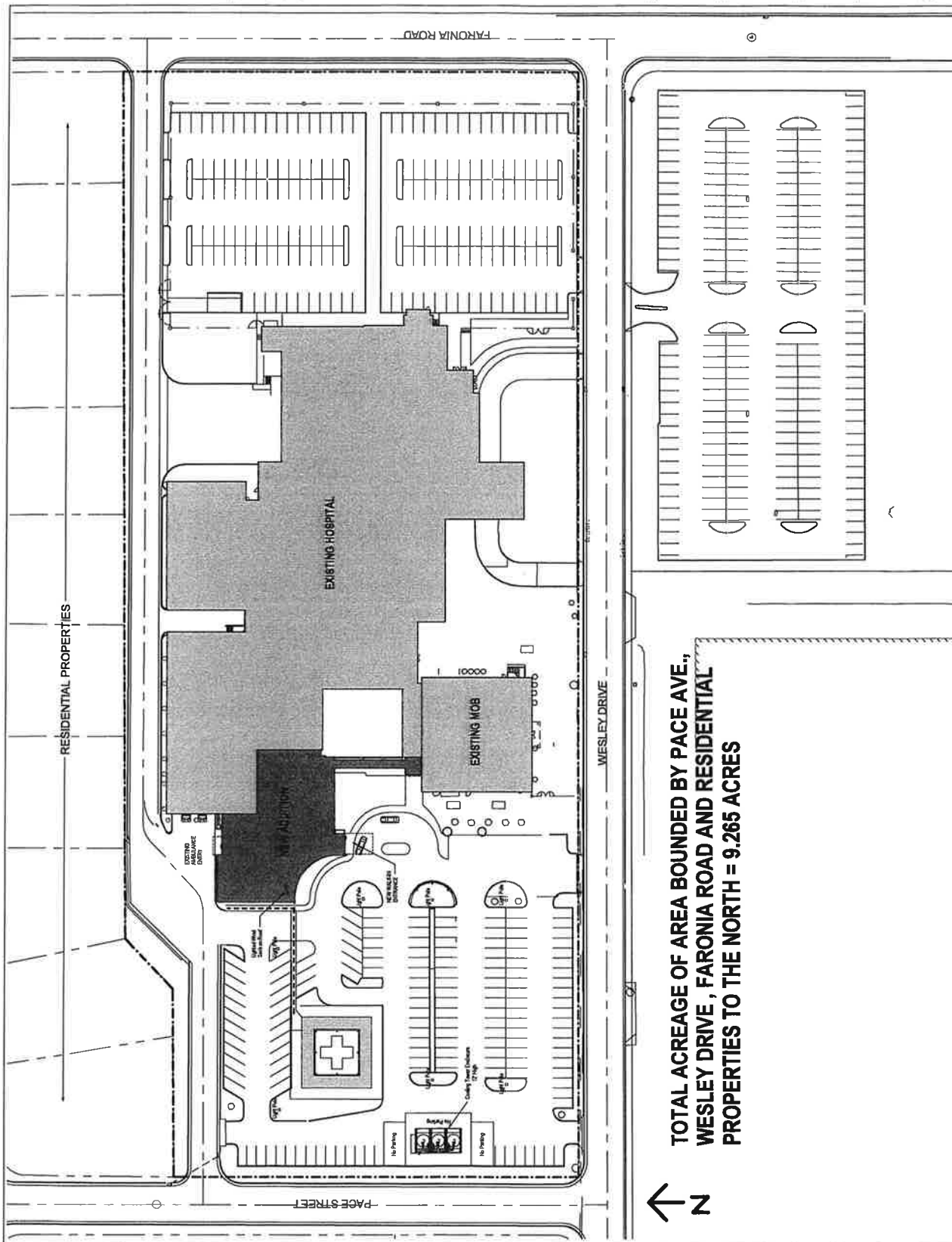
Revenue Assurance Professionals, LLC (1)

Solus Management Services, Inc. (1)

Memphis Professional Building, Inc. (1)

Le Bonheur Urgent Care, LLC

B:III (A) Plot Plan



B:III (B)
Public Transportation Routes

Route 46

Whitehaven



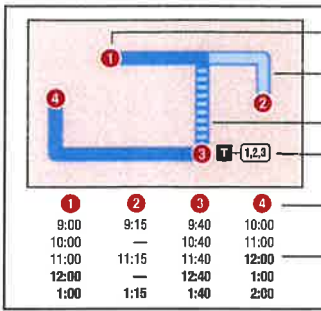
MONDAY – FRIDAY • OUTBOUND FROM DOWNTOWN

	1 North End Terminal	2 Front at Jefferson	3 Vance at Lauderdale	4 Lamar at Bellevue	5 Elvis Presley at Norris	6 Elvis Presley at Laudeen	7 Holmes at Elvis Presley	8 Millbranch at McAllister
AM	5:05	5:10	5:20	5:29	5:39	5:48	6:02	6:05
	6:03	6:08	6:18	6:27	6:37	6:46	7:00	7:03
	8:09	8:14	8:24	8:33	8:43	8:52	9:06	9:09
PM	1:39	1:44	1:54	2:03	2:13	2:22	2:36	2:39
	3:45	3:50	4:00	4:09	4:19	4:28	4:42	4:45
	5:51	5:56	6:06	6:15	6:25	6:34	6:48	6:51

MONDAY – FRIDAY • INBOUND TO DOWNTOWN

	8 Millbranch at McAllister	7 Holmes Rd at Elvis Presley	6 Elvis Presley at Laudeen	5 Elvis Presley at Norris	4 Lamar at Bellevue	3 Vance at Lauderdale	2 Front at Jefferson	1 North End Terminal
AM	5:00	5:03	5:18	5:28	5:38	5:48	5:58	6:03
	6:08	6:11	6:26	6:36	6:46	6:56	7:06	7:11
	7:06	7:09	7:24	7:34	7:44	7:54	8:04	8:09
	9:12	9:15	9:30	9:40	9:50	10:00	10:10	10:15
PM	2:42	2:45	3:00	3:10	3:20	3:30	3:40	3:45
	4:48	4:51	5:06	5:16	5:26	5:36	5:46	5:51

INSTRUCTIONS



The bus stops at this location at listed times.

Look for the column of times below the matching symbol in the schedule.

Only certain trips operate along this portion of the route.
See the schedule for trips that provide service here.

The bus operates express along this portion of the route.

Transfer point. Shows where this bus intersects with other routes that are available for transfer.

The bus stops at the times listed below the numbered symbol.
Light times are A.M.; bold times are P.M.

The timetable shows when the bus is scheduled to depart.

Actual departure times may vary and depend upon traffic and weather conditions.
Arrive at the bus stop about 10 minutes early to avoid missing the bus.

MATA FARES

BASE FARES

EFFECTIVE: DECEMBER 4, 2011

Adult Base Fare.....	\$1.75
*City Student Base Fare.....	\$1.35
*County Student Base Fare.....	\$1.55
*Seniors & Individuals w/Disabilities.....	\$0.85
Express Base Fare.....	\$2.35
* MATA ID REQUIRED.	

ZONE 1 FARE

Base Fare Plus Additional Zone Fare + \$0.85
(See Route Map for Zone Boundaries)

MULTI-RIDE PASSES

Daily FastPass.....	\$3.50
7-Day FastPass.....	\$16.00
31-Day FastPass.....	\$50.00
31-Day Express FastPass.....	\$60.00
*Student Daily FastPass.....	\$2.75
*Student 7-Day FastPass.....	\$13.00
*Student 31-Day FastPass.....	\$40.00
Senior/Disabled Daily FastPass.....	\$1.75
*Senior/Disabled 7-Day FastPass.....	\$8.00
*Senior/Disabled 31-Day FastPass.....	\$25.00
*Senior/Disabled 31-Day Express FastPass.....	\$30.00

* MATA ID REQUIRED. Students in grades 1-12, seniors and people with disabilities must have a valid MATA ID to receive the FastPass at a reduced price. Two forms of identification must be presented to obtain ID at MATA's Customer Service Center.
(A Medicare card is a valid form of identification.)

Route schedules may be subject to change without notice.

MATA INFORMATION

Always Transit Center	
3033 Airways Boulevard.....	(901) 722-7080
American Way Transit Center	
3921 American Way.....	(901) 722-0322
North End Terminal	
444 N. Main Street.....	(901) 523-8134
MATA Administrative Offices	
1370 Levee Road.....	(901) 722-7100
Route and Schedule Information.....	(901) 274-6282
Lost and Found.....	(901) 523-8134
Comments, Compliments, Complaints.....	(901) 522-9175
Main Street Trolley.....	(901) 577-2640
MATApus Information.....	(901) 722-7171
TTY Hearing and Speech Impaired.....	(901) 523-2817

Visit us at: www.matatransit.com

Effective 12/01/13

ROUTE

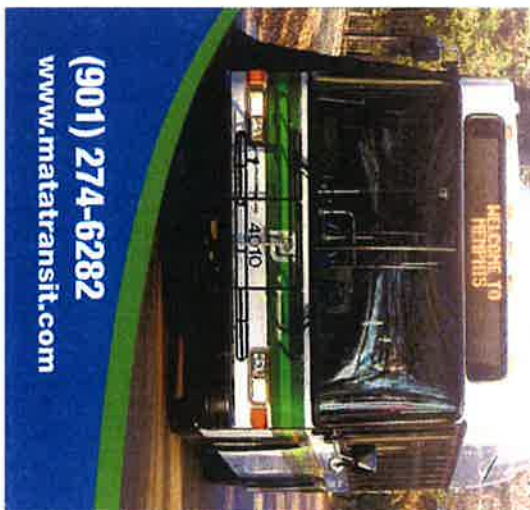
46

MATA

Whitehaven

SERVING

- Methodist Hospital South
- Graceland
- FedEx Forum
- Southbrook Mall
- Downtown Memphis
- North End Terminal

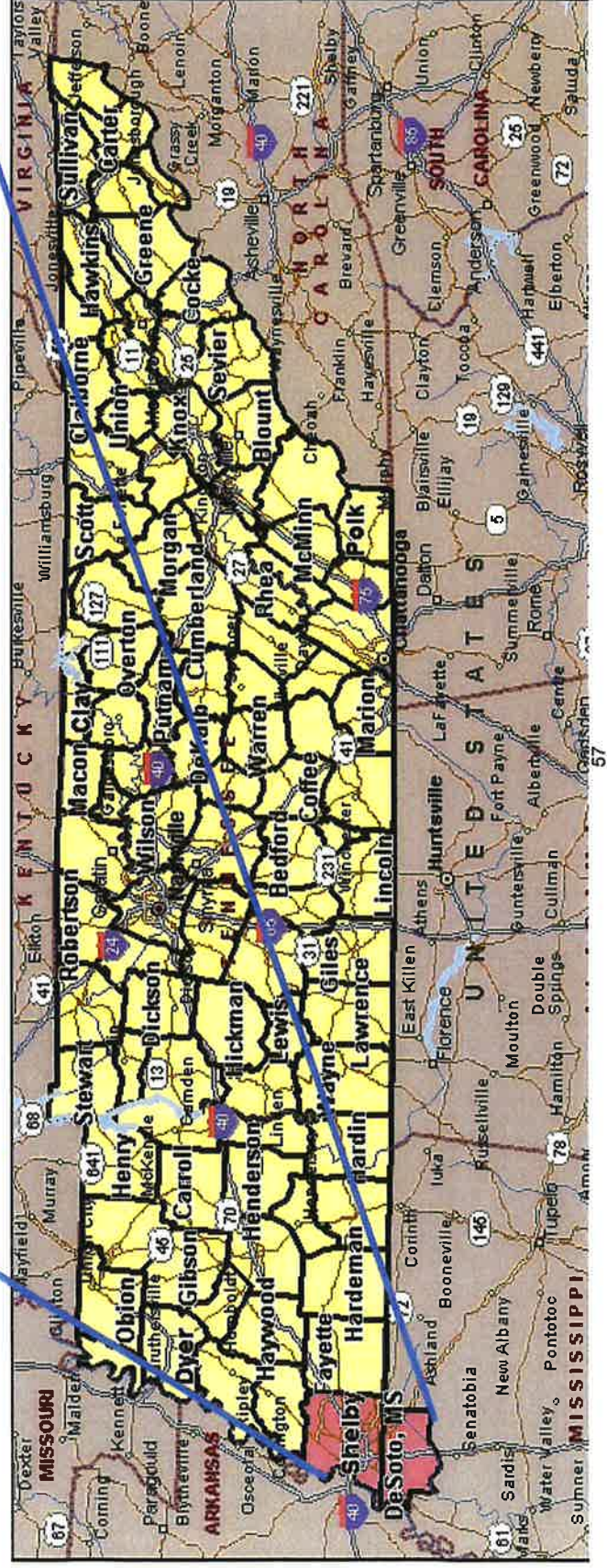
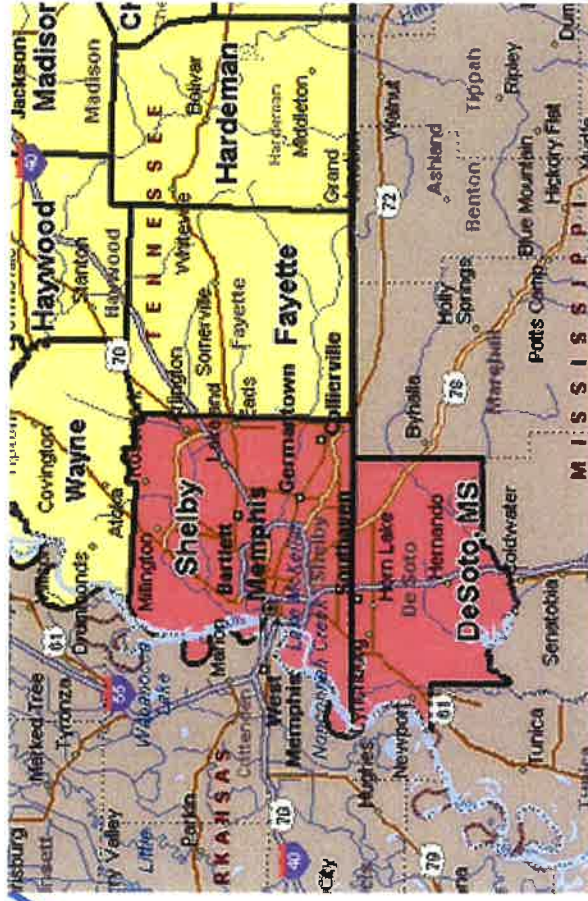


(901) 274-6282
www.matatransit.com

B:IV Floor Plans

C: Need (3)
Service Area Map

Methodist South Hospital Service Area



C: Economic Feasibility (1)(d)
Documentation of Construction
Cost Estimate

March 6, 2015

Mr. James L. Robinson
Chief Executive Officer
Methodist South Hospital
1300 Wesley Drive
Memphis, TN 38116

**RE: VERIFICATION OF CONSTRUCTION COST ESTIMATE –
METHODIST SOUTH HOSPITAL EXPANSION AND RENOVATION OF
EMERGENCY DEPARTMENT, MEMPHIS, TENNESSEE**

Dear Mr. Robinson:

We have reviewed the construction cost estimates and descriptions for the project in the CON packet and compared them to typical construction costs we have experienced in the Mid South region for healthcare construction.

It is brg3s's opinion, that in today's dollar the projected \$ \$6.57 million construction budget is consistent with the cost value for this type of construction and similar projects in this market. The budget includes \$4.73 million for construction, \$0.47 million for site work, \$0.49 million design budget and \$0.89 million for contingency. While specific finish choices and market conditions can greatly affect the cost of any project, the costs assumed in the estimate appear adequate for mid range finishes used in a healthcare environment for the scope of work for the Methodist University Hospital Replacement Emergency Department.

In providing opinions of probable construction cost, the Client understands the Consultant has no control over the cost or availability of labor, equipment or material, or over market conditions or the Contractor's method of pricing and that the Consultant's opinions of probable construction costs are made on the basis of the Consultants professional judgment and experience. The consultant makes no warranty, express or implied, that the bids or the negotiated cost of the work will not vary from the Consultant's opinion of probable construction cost.

This facility will be designed in accordance with all applicable codes, regulations and guidelines required and in accordance with equipment manufacturer's specifications at the proposed location of the Methodist University Hospital Replacement Emergency Department, Union Avenue, Memphis, TN.

Please do not hesitate to contact us if you require any additional information.

Sincerely,

brg3s



Jon R. Summers, AIA
Principal

Sincerely,
brg3s

Jon Summers AIA
Principal

11 W. Huling Avenue
Memphis, Tennessee 38103
t 901.260.9600
f 901.531.8042
w brg3s.com



C: Economic Feasibility (2)
Documentation of
Availability of Funding



MethodistSM
Healthcare

March 6, 2015

Melanie Hill
Executive Director
State of Tennessee
Health Service and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Dear Ms. Hill:

This is to certify that Methodist Healthcare – Memphis Hospitals has adequate financial resources for the Methodist Healthcare – South Hospital Emergency Department Renovation project. The applicant, Methodist Healthcare–Memphis Hospitals, is a not-for-profit corporation that operates five Shelby County hospitals under a single license. The applicant is a wholly-owned subsidiary of a broader parent organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in multiple other healthcare facilities of several types in West Tennessee. Cash is held at the corporate level. Methodist Healthcare has available cash balances to commit to this project. The capital cost of the project is estimated at \$8,741,872.

Sincerely,

Chris McLean
Senior Vice President Finance

**C: Economic Feasibility Other
Historical and Projected Data Charts –
Listing of Other Revenue and Expense**

OTHER REVENUE AND EXPENSES

HISTORICAL DATA CHART

Other Operating Revenue:

Cafeteria
Drugs
Telephone rental
Vending
Office Rental
Ground Transportation
Fix Wing
Grants
United Way Grants
Misc. Income

Other Expenses:

Benefits
Repairs and Maintenance
Professional Fees
Contract Services
Accounting/Auditing Fees
Legal/Consulting Fee
Advertising
Dues and Subscriptions
Education/ Travel
Utilities
Insurance
Food services
Laundry Services
Print Shop
Telephone
Transcription
Academic Support
Contributions
License/Accreditations Fees
Postage/Freight
Procurement Card Exp

Other Revenue/Expenses:

Capital Campaign Funding
Interest Income
Gain/Loss on Disposal of PPE

PROJECTED DATA CHART

Other Operating Revenue:

Cafeteria
Drugs
Gift Shop
Telephone
Vending
Shared Svc
Tuition/Student Fees
Office Rentals
Parking
340b Program
HealthSouth
Trauma Fund
Rental Income
Transp (ground & fixed wing)
Gamma Knife
Grants
Other

C: Economic Feasibility (10)

Financial Statements



METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Financial Statements and Schedules

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 900
50 North Front Street
Memphis, TN 38103-1194

Independent Auditors' Report

The Board of Directors
Methodist Le Bonheur Healthcare:

Report on the Financial Statements

We have audited the accompanying combined financial statements of Methodist Le Bonheur Healthcare and Affiliates (the System), which comprise the combined balance sheets as of December 31, 2013 and 2012, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the combined financial statements referred to above present fairly in all material respects, the financial position of Methodist Le Bonheur Healthcare and Affiliates as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Memphis, Tennessee
April 25, 2014

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Balance Sheets

December 31, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 35,310	71,677
Investments	778,974	746,608
Assets limited as to use – current portion	962	682
Net patient accounts receivable	210,819	190,102
Other current assets	57,374	49,373
Total current assets	1,083,439	1,058,442
Assets limited as to use, less current portion	39,495	40,616
Property and equipment, net	901,227	821,718
Other assets	60,639	54,956
Total assets	\$ 2,084,800	1,975,732
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 65,912	57,829
Accrued expenses and other current liabilities	93,486	91,583
Due to third-party payors	13,551	17,903
Long-term debt – current portion	15,637	15,658
Total current liabilities	188,586	182,973
Long-term debt, less current portion	584,454	600,833
Estimated professional and general liability costs	17,304	25,081
Accrued pension cost	49,328	197,608
Other long-term liabilities	55,694	88,743
Total liabilities	895,366	1,095,238
Net assets:		
Unrestricted	1,158,133	852,139
Temporarily restricted	23,103	20,282
Permanently restricted	3,504	3,351
Total net assets attributable to Methodist Le Bonheur Healthcare	1,184,740	875,772
Noncontrolling interests	4,694	4,722
Total net assets	1,189,434	880,494
Commitments and contingencies		
Total liabilities and net assets	\$ 2,084,800	1,975,732

See accompanying notes to combined financial statements.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Statements of Operations

Years ended December 31, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted revenues and other support:		
Net patient service revenue	\$ 1,653,966	1,562,285
Provision for uncollectible accounts	(154,171)	(135,201)
Net patient service revenue less provision for uncollectible accounts	1,499,795	1,427,084
Other revenue	69,719	55,200
Net assets released from restrictions used for operations	12,781	13,012
Total unrestricted revenues and other support	<u>1,582,295</u>	<u>1,495,296</u>
Expenses:		
Salaries and benefits	773,377	724,897
Supplies and other	634,842	599,393
Depreciation and amortization	89,108	85,345
Interest	25,874	27,287
Total expenses	<u>1,523,201</u>	<u>1,436,922</u>
Operating income	<u>59,094</u>	<u>58,374</u>
Nonoperating gains (losses):		
Investment income, net	40,979	24,012
Change in fair value of interest rate swaps	33,256	3,798
Unrealized gain on trading securities, net	39,536	37,984
Impairment of land	—	(332)
Impairment of goodwill	—	(928)
Total nonoperating gains losses, net	<u>113,771</u>	<u>64,534</u>
Revenues, gains and other support in excess of expenses and losses, before noncontrolling interests	172,865	122,908
Noncontrolling interests	<u>(1,646)</u>	<u>(1,424)</u>
Revenues, gains and other support in excess of expenses and losses	171,219	121,484
Other changes in unrestricted net assets:		
Accrued pension cost adjustments	133,080	(22,289)
Other	42	(68)
Net assets released from restrictions used for capital purposes	<u>1,653</u>	<u>1,886</u>
Increase in unrestricted net assets	<u>\$ 305,994</u>	<u>101,013</u>

See accompanying notes to combined financial statements.

METHODIST LE BONHEUR HEALTHCARE AND AFFILIATES

Combined Statements of Changes in Net Assets

Years ended December 31, 2013 and 2012

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Noncontrolling interests	Total
Balances at December 31, 2011	751,126	20,081	3,004	5,246	779,457
Revenues, gains and other support in excess of expenses and losses	121,484	—	—	1,424	122,908
Distributions to minority shareholders	—	—	—	(1,948)	(1,948)
Accrued pension cost adjustments	(22,289)	—	—	—	(22,289)
Other	(68)	—	—	—	(68)
Donor-restricted gifts, grants, and bequests	—	14,502	347	—	14,849
Investment income, net	—	597	—	—	597
Net assets released from restrictions used for operations	—	(13,012)	—	—	(13,012)
Net assets released from restrictions used for capital purposes	1,886	(1,886)	—	—	—
Change in net assets	101,013	201	347	(524)	101,037
Balances at December 31, 2012	\$ 852,139	20,282	3,351	4,722	880,494
Revenues, gains and other support in excess of expenses and losses	171,219	—	—	1,646	172,865
Distributions to minority shareholders	—	—	—	(1,674)	(1,674)
Accrued pension cost adjustments	133,080	—	—	—	133,080
Other	42	—	—	—	42
Donor-restricted gifts, grants, and bequests	—	16,432	153	—	16,585
Investment income, net	—	823	—	—	823
Net assets released from restrictions used for operations	—	(12,781)	—	—	(12,781)
Net assets released from restrictions used for capital purposes	1,653	(1,653)	—	—	—
Change in net assets	305,994	2,821	153	(28)	308,940
Balances at December 31, 2013	\$ 1,158,133	23,103	3,504	4,694	1,189,434

See accompanying notes to combined financial statements.

METHODIST LE BONHEUR HEALTHCARE
BALANCE SHEET
January 2015
(in thousands)

ASSETS:

CURRENT ASSETS:

CASH & TEMPORARY INVESTMENTS:

UNRESTRICTED	885,752
RESTRICTED	18,358
TOTAL CASH & TEMPORARY INVESTMENTS	904,110

ACCOUNTS RECEIVABLE:

PATIENT	783,703
ALLOW FOR DBTFUL ACCTS & CONTR ADJ	562,962
NET PATIENT ACCOUNTS RECEIVABLE	220,741
MEDICARE / MEDICAID PROGRAMS	0
PLEDGE CAMPAIGN	3,425
OTHER	20,199
TOTAL ACCOUNTS RECEIVABLE	244,365

INVENTORIES	27,098
PREPAID EXP & OTHER CURRENT ASSETS	7,834
ASSETS LIMITED TO USE-CURRENT PORTION	868

TOTAL CURRENT ASSETS	1,184,275
-----------------------------	------------------

ASSETS LIMIT TO USE-LESS CURR PORTION	36,962
PROPERTY PLANT & EQUIPMENT-NET	897,937
UNAMORTIZED DEBT ISSUE COSTS	11,588
SWAPS MARKET VALUE	0
PLEDGE CAMPAIGN-LONG TERM	6,114
OTHER ASSETS	41,019

TOTAL ASSETS	2,177,895
---------------------	------------------

LIABILITIES AND NET ASSETS:

CURRENT LIABILITIES:

ACCOUNTS PAYABLE	51,880
ACCRUED PAYROLL & PAYROLL TAXES	32,575
ACCRUED PTO	33,496
ACCRUED SELF INSURANCE COST	15,597
ACCRUED INTEREST	6,025
OTHER ACCRUED EXPENSES	4,642
MEDICARE / MEDICAID PROGRAMS	45,380
LONG TERM DEBT-CURRENT PORTION	15,468

TOTAL CURRENT LIABILITIES	<u>205,063</u>
LONG TERM DEBT LESS CURRENT PORTION	568,484
ACCRUED PENSION LIABILITY	118,512
HPL LONG TERM RESERVE	18,732
SWAPS MARKET VALUE	69,785
OTHER LONG TERM LIABILITIES	4,204
MINORITY INTEREST	1,917
TOTAL LIABILITIES	<u>986,697</u>
NET ASSETS:	
UNRESTRICTED	1,162,293
TEMPORARILY RESTRICTED	25,264
PERMANENTLY RESTRICTED	<u>3,641</u>
TOTAL NET ASSETS	<u>1,191,198</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,177,895</u>

Methodist Healthcare – Memphis Hospitals
Income Statement
Period Ended January 2015
(\$000's)

Revenues

Gross patient service revenues	\$ 478,473
Deductions from revenue	<u>357,893</u>
Net patient service revenues	120,580
Other Operating Revenue	5,661
Other Non-Operating Revenue	(407)
Total revenues	125,834

Expenses

Salaries and benefits	47,373
Supplies and other	62,252
Depreciation and amortization	6,718
Interest	<u>(1,038)</u>
Total expenses	115,305

Net Income	\$ <u><u>10,529</u></u>
-------------------	--------------------------------

C: Orderly Development (1)
List of Managed Care Contracts

Plans:

Ace Pump	
American Healthcare Alliance	
AmeriChoice UHC TennCare	
AR BCBS	
AR BCBS Medi-Pak (Medicare Advantage)	
Arkansas Higher Education Consortium	
Arkansas Managed Care Organization (AMCO)	
Assurant Health	
BCBSTN BlueCare/Tenn Care	
BCBSTN Medicare Advantage	
BCBSTN Network E - Exchange	
BCBSTN Network P	
BCBSTN Network S	
Cigna HMO	
Cigna PPO	
Cigna Flex	
City of Dyersburg	
CorVel Corporation - Work Comp	
HealthSCOPE Benefits, Inc.	
HealthSpring (Medicare Advantage)	
Langston Companies, Inc.	
Methodist Lebonheur Health Care	
Municipal Health Benefit Fund	
North Mississippi Health Link, Inc.	
North Mississippi Health Services Employee Health Plan	
Nova Net, Inc.	
NovaNet Work Comp	
Prime Health Services, Inc. - Worker's Compensation	
Razorback Concrete Company	
Secure Horizons (Medicare Advantage)	
SHARP PHO	
United Healthcare	

C: Orderly Development (7)(c)
License from
Board of Licensing Health Care Facilities

Board for Licensing Health Care Facilities



State of Tennessee

DEPARTMENT OF HEALTH

No. of Beds 1583
0000000109

This is to certify, that a license is hereby granted by the State Department of Health to

METHODIST HEALTHCARE - MEMPHIS HOSPITALS to conduct and maintain a

Hospital

METHODIST HEALTHCARE - MEMPHIS HOSPITALS

Located at

1265 UNION AVENUE, MEMPHIS

County of

SHELBY, Tennessee.

This license shall expire SEPTEMBER 14, 2015, and is subject

to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

In Witness Whereof, we have hereunto set our hand and seal of the State this 14TH *day of* SEPTEMBER, 2014.

In the Distinct Category(ies) of: GENERAL HOSPITAL
PEDIATRIC PRIMARY HOSPITAL



By James J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By James J. Davis, MPH
COMMISSIONER

C: Orderly Development (7)(d)(1)
TDH Licensure
Verification Letters

FEB 22 2008



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
781-B AIRWAYS BOULEVARD
JACKSON, TENNESSEE 38301-3203

February 13, 2008

Ms. Peggy Troy, Administrator
Memphis Healthcare Memphis Hospitals
1211 Union Avenue, Ste 700
Memphis, TN 38104

RE: Licensure Surveys

Dear Ms. Troy:

On January 17, 2008, licensure surveys were completed at your facility. Your plans of correction for these surveys have been received and were found to be acceptable.

Thank you for the consideration shown during this survey.

Sincerely,

Celia S. Skelley
Celia Skelley, MSN, RN
Public Health Nurse Consultant 2

CES/TJW



APR 9 2008

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
781-B AIRWAYS BOULEVARD
JACKSON, TENNESSEE 38301-3203

March 31, 2008

Ms. Peggy Troy, Administrator
Methodist Healthcare Memphis Hospitals
1211 Union Avenue, Ste 700
Memphis, TN 38104

Dear Ms. Troy:

On **March 17, 2008**, a surveyor from our office completed a revisit to verify that your facility had achieved and maintained compliance. Based on our revisit, we found that your facility had demonstrated compliance with deficiencies cited on the **annual survey** completed on **January 17, 2008**.

If this office may be of any assistance to you, please call 731-421-5113.

Sincerely,

Celia Skelley
Celia Skelley, MSN, RN
Public Health Nurse Consultant 2

CS/TW

C: Orderly Development (7)(d)(2)
Joint Commission Accreditation and
Survey Summary

**Methodist Healthcare
Memphis Hospitals**
Memphis, TN

has been Accredited by



The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

April 20, 2013

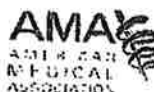
Accreditation is customarily valid for up to 36 months.


Rebecca J. Patchin, MD.
Chair, Board of Commissioners

Organization ID #: 7874
Print/Reprint Date: 06/19/13


Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.



This reproduction of the original accreditation certificate has been issued for use in regulatory/payer agency verification of accreditation by The Joint Commission. Please consult Quality Check on The Joint Commission's website to confirm the organization's current accreditation status and for a listing of the organization's locations of care.

June 11, 2013

Re: # 7874
CCN: #440049
Program: Hospital
Accreditation Expiration Date: April 20, 2016

Gary S. Shorb
President/CEO
Methodist Healthcare Memphis Hospitals
1211 Union Avenue
Memphis, Tennessee 38104

Dear Mr. Shorb:

This letter confirms that your April 15, 2013 - April 19, 2013 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on June 03, 2013 and June 04, 2013, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of April 20, 2013. We congratulate you on your effective resolution of these deficiencies.

§482.11 Compliance with Federal, State and Local Laws
§482.13 Patient's Rights
§482.25 Pharmaceutical Services
§482.41 Physical Environment
§482.51 Surgical Services

The Joint Commission is also recommending your organization for continued Medicare certification effective April 20, 2013. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following location(s):

Breast Diagnostic Center - Germantown
7945 Wolf River Blvd., Germantown, TN, 38138

Cardiovascular Outpatient Diagnostic Center
7460 Wolf River Blvd., Germantown, TN, 38138

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice



Le Bonheur Children's Hospital
848 Adams, Memphis, TN, 38103

Le Bonheur Children's Hospital Audiology
7945 Wolf River Blvd., Germantown, TN, 38138

Le Bonheur Cordova Urgent Care
8035 Club Parkway, Cordova, TN, 38018

Le Bonheur East Diagnostic Center
806 Estate Place, Memphis, TN, 38120

Le Bonheur Urgent Care at Hacks Cross
8071 Winchester Rd., Ste. 2, Memphis, TN, 38125

Le Bonheur Urgent Care East
806 Estate Place, Memphis, TN, 38120

Methodist Comprehensive Wound Healing Center
1251 Wesley Drive, Suite 107, Memphis, TN, 38116

Methodist Diagnostic Center Germantown
1377 South Germantown Rd., Germantown, TN, 38138

Methodist Germantown Radiation Oncology Center
1381 South Germantown Rd., Germantown, TN, 38138

Methodist Healthcare Outpatient Services
100 North Humphreys Blvd., Memphis, TN, 38120

Methodist Healthcare Outpatient Services
1588 Union, Memphis, TN, 38104

Methodist Healthcare Outpatient Services
240 Grandview Drive, Brighton, TN, 38011

Methodist Le Bonheur Germantown Hospital
7691 Poplar Avenue, Germantown, TN, 38138

Methodist North Hospital
3960 New Covington Pike, Memphis, TN, 38128

Methodist Sleep Disorders Center
5050 Poplar Suite 300, Memphis, TN, 38114

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

Methodist South Hospital
1300 Wesley Drive, Memphis, TN, 38116

Methodist University Hospital
1265 Union Avenue, Memphis, TN, 38104

MHMH GI Lab - Southwind
3725 Champion Hills Drive, Memphis, TN, 38125

Midtown Diagnostic Center
1801 Union Ave, Memphis, TN, 38104

North Comprehensive Wound Healing Center
3950 New Covington Pike, Memphis, TN, 38128

We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,



Mark G. Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 4 /Survey and Certification Staff

C: Proof of Publication

60107-6-521-01-2015

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF SHELBY

James L. Robinson III, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T. C.A. § 68-11-1601, *et seq.*, and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

[Signature] SVP/CEO Methodist South
Signature/Title

Sworn to and subscribed before me this the 9 day of March, 2015, a Notary Public in and for the County of Shelby, State of Tennessee.

[Signature]
NOTARY PUBLIC

My Commission expires 4-27-15.



HF-0056
Revised 7/02 - All forms prior to this date are obsolete



SUPPLEMENTAL #1

March 25, 2015
10:20am

1. Section A, Item 9

As noted by the applicant, the applicant is one of five primary hospitals whose 156 licensed beds are included in the 1,583 bed combined license of Methodist Healthcare-Memphis Hospitals. Please also provide a bed complement table the breakout by service for all combined licensed beds of the parent organization.

Please see Attachment 1 for the Methodist Healthcare-Memphis Hospital bed chart. As noted in the application, the applicant, Methodist Healthcare-Memphis Hospitals, is a not-for-profit corporation that operates five Shelby County hospitals under a single license: Methodist University Hospital, Methodist North Hospital, Methodist Le Bonheur Germantown Hospital, Le Bonheur Children's Hospital and the focus of this application, Methodist South Hospital.

2. Section B, Project Description Item II.A

The Square Footage Chart is noted. To complement the description and chart, please complete the table below showing a breakout of the 37 acute and non-acute/fast track rooms as described in this section (Item 2, page 8) and Section C (Item 1, pages 16-18). Please also include approximate size in square feet at project completion. *Note: the table below is provided for convenience only - please feel free to alter it as appropriate to reflect the types of rooms noted in the project description.*

Type Room/Station	Main ED	ED New Addition	Total
Exam Rooms	12	0	12
Trauma/ Resuscitation Rooms	2	0	2
Chest Pain Center	3	0	3
Security Hold*	1	0	1
Bariatric Exam Room	1	0	1
Infectious Disease Room	1	0	1
Fast Track	0	10	10
Clinical Decision Exam Rooms	0	5	5
Triage (Swing) Exam Rooms	0	2	2
Total Treatment Spaces	20	17	37

**HSDA staff was unsure whether or not Security Hold Rooms are included in the project? Please confirm.*

Methodist South referred to the Security Hold room as the Behavioral Health specialty and swing room in the original application and the floor plans identified it as a swing room. Please see revised floor plans in Attachment 2 showing the Security Hold room in the main ED along the outside wall on the north side of the building. As noted in the application, the Security Hold room will contain steel walls that can be shuttered to close off access to gases and other equipment in the room.

In regard to capacity planning for the proposed project, there were multiple sources consulted and considered, yet an overarching goal of this project is to minimize costs while optimizing space and functionality.

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Over the past 25 years, planning criteria for determining annual visits per ED bed has steadily changed from 1800-2000 visits in the 1980's and early 1990's to 1300-1700 visits per bed today. According to the Emergency Department Benchmarking Alliance (EDBA) and 2013 survey data, the range of patients treated per ED bed is 1,368 to 1,717 for adult beds. Applying this range to the thirty-seven ED beds in the proposed project, the range of annual ED visits is 50,616 to 63,529. There are many variables to "fine tune" the planning, but acuity level is a primary variable; i.e., the higher acuity, the longer the stay and hence, the more stations are required. Methodist South is planning an appropriately sized ED for current and future capacity based on projected visit levels and acuity mix (noted in #5 below) and the planned throughput improvements proposed in this project - such as the results waiting room and swing beds in the triage area.

Are there designated areas for mobile crisis staff to conduct assessments and law enforcement personnel?

As needed, these assessments will be done in the patient's room. All rooms in the proposed design will be private rooms which provide a secure setting for such assessments. There are also identified spaces such as the grieving rooms that could be used if required.

In addition to the detailed description on pages 8 and 9, please also briefly describe the project's impact on improved access to supporting services such as medical imaging and laboratory. Please feel free to use the table below as a suggested visual.

The fifteen beds that are currently in the non-acute/fast track area in the attached Medical Office Building (MOB) will be moved adjacent to the main ED in the hospital. The move will locate the fast track patients much closer to the radiology (or imaging) department. Please see Attachment 2 for the floor plan that shows the radiology department across the hall from the ED (the department immediately adjacent to the ED - almost in the middle of the page).

Additionally, this means that patient transport will only have to pick up and return patients from one ED area rather than two for services outside the ED, for increase in throughput and efficiencies. This is true for lab services as well. The lab is located a floor below the ED. The consolidation of ED services into a single, contiguous space ensures improved access for fast track patients for all support services including lab.

It appears that the project could increase hospital admissions as a result of increased ED volumes. If so, what plans does the applicant have to increase surgical capacity and expand available operating rooms?

Methodist South reviewed capacity in the departments that support the ED including related inpatient and surgical services. The ED visit projections for the first two years of the project remain somewhat stable as compared to recent years. There is a minor shift to higher acuity levels as patients age as noted in #5 below. Methodist South has seven operating rooms and currently has capacity to handle an increase in surgery patients admitted through the ED.

The applicant provides a comparison on page 10 of the project cost to other major construction projects of facilities in Shelby County. Please also compare

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the project cost to the HSDA construction cost ranges (1st quartile, median, 3rd quartile) available on the HSDA website.

Total construction costs excluding site prep and construction contingency are \$4,728,050 (or \$209 PSF). The costs of the project are reasonable and comparable to similar renovations done throughout Methodist Healthcare over the last few years and on recently approved CON's. Costs are also reasonable and are between the 1st Quartile and Median for total construction based on the chart from the HSDA website comparing costs to recently approved applications. See the cost per square foot comparisons below.

COST PER SQUARE FOOT COMPARISON WITH APPROVED PROJECTS

CON Name	Date Filed	Cost per Square Foot
Methodist University PET Renovation & Relocation	Nov-11	\$ 244
Methodist Memphis Hospital Establish West Cancer Center	Nov-13	\$ 145
Le Bonheur Children's Hospital Establish Pediatric Outpatient Center	Nov-13	\$ 152
Campbell Clinic Surgery Center Construction & Renovation	Aug-12	\$ 244
The Regional Medical Center – The Med Hospital Construction & Renovation	Aug-12	\$ 225
Baptist Memorial Women's Hospital ED Construction & Renovation	Dec-12	\$ 238

HOSPITAL CONSTRUCTION COST PER SQUARE FOOT

YEARS: 2011-2013

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$107.15/sq ft	\$235.00/sq ft	\$151.56/sq ft
Median	\$179.00/sq ft	\$274.63/sq ft	\$227.88/sq ft
3rd Quartile	\$249.00/sq ft	\$324.00/sq ft	\$274.63/sq ft

Source: CON approved applications for years 2011 through 2013

http://www.tennessee.gov/hlda/applicants_tools/docs/Construction%20Cost%20Per%20Square%20Foot%20charts.pdf

3. Section B, Project Description, Item III. (Plot Plan)

The floor plan of the ED showing patient areas, ambulance conveyance, relationship to the existing hospital and MOB, and parking is noted. Please outline or highlight the ED area contained in the existing hospital area of the plot plan.

Please see Attachment 3 for the revised plot plan that outlines the existing main ED. Please note the proposed design makes the acute and non-acute/fast track ED areas contiguous with the fast track moving from the attached MOB (also noted on the plan) to the new ED addition (in blue). The

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efficiency, turnaround, and throughput improvements are numerous and stated in detail in the application.

4. Section C, Need, Item 1 (Project Specific Criteria)

Item 3.a. (Demand for Project):

The key factors justifying the need for the project, including age of the ED, 80% increase in utilization since 2006 and space constraints, are noted. On average over the most recent 12-months, how many days was the existing ED at maximum capacity resulting in ambulance diversions to other hospital EDs close to Methodist South Hospital?

Based on a review of documentation maintained in the ED, Methodist South was at capacity and on ambulance diversion approximately 45 days over the most recent 12-month period. The proposed project will help to remedy this by improving turnaround times and patient flow in a single contiguous space with improved capacity from innovations such as the results waiting room.

Patient safety and quality is of the upmost importance to Methodist Healthcare, and any barriers to workflow and patient flow must be removed to ensure the highest quality of care. The goal with the new design is to create adequate clinical space, flexible room configuration, and streamlined designs to deliver patient and family centered care to patients for all acuity levels. The more efficient flow in the proposed ED has fewer touch points and consolidates work zones for more efficient and timely care for all acuity levels

5. Section C, Need, Item 6

Please complete the following table to complement the ED Visit Utilization Table provided on page 24 of the application. In your response, please provide a legend that defines each acuity or severity level shown in the table.

**METHODIST SOUTH ED VISITS BY BILLED ACUITY LEVEL
Actual 2010-2014, Projected 2017-2018**

Acuity Level	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	% Change 2010-14	Projected 2017	Projected 2018
Level I	851	1,138	1,664	1,253	758	-11%	718	723
Level II	6,172	7,257	7,875	7,118	6,901	12%	6,679	6,721
Level III	19,055	19,394	20,847	21,277	21,143	11%	21,076	21,209
Level IV	18,332	19,283	19,382	18,971	20,043	9%	20,153	20,280
Level V	10,877	11,998	12,657	13,398	13,289	22%	13,388	13,473
Level VI	235	276	234	283	404	72%	383	385
Total	55,522	59,346	62,659	62,300	62,538	13%	62,397	62,791
Annual Growth Rate	7%	6%	-1%	0%	0%		0%	1%

The table above identifies the number of patients treated in the ED by each acuity level based on the billed CPT code. See the response to #9 below for the descriptions of each acuity level/CPT code. For quick clarification, Level 1 patients have the lowest acuity utilizing most likely the fewest resources, and Levels V and VI are the highest acuity levels and most critical patients.

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Of the patients whose visits fall within the severity levels noted in the table, what percentage typically are admitted as inpatients and what percentage of ER patients are typically admitted for observation?

In review of the Methodist South internal financial statistics, the most recent average percentage of patients treated in the ED that are ultimately admitted as inpatients is 8.7% with an additional 6.0% admitted for observation. ED visits are projected to remain somewhat flat for the first two years of the project as compared to the last three years (2012-2014). As noted in the methodology and ED visit projections, the hospital forecasts a slight shift from the lower acuity to the higher acuity levels while total volumes remain constant. Some of this is driven by Methodist population health projects which will navigate lower acuity patients to medical homes and other lower cost sites for care. This decline is tempered with the aging population and projections that more complex patients will present for services in the ED from this service area. Methodist South has capacity and adequate inpatient and observation resources to provide quality care for all patients treated and released or admitted for additional treatments.

What percentage of total admissions were generated through the Emergency Department for the hospital's most recent calendar year period?

In review of the Methodist South internal financial statistics, the most recent calendar year shows that 86% of total admissions were generated through the ED. As stated in application, the ED is the "front door" for Methodist South and this statistic is proof of that statement. Given this, it is imperative the hospital continue to improve patient flows, physician and clinical workflows, and patient experience in this department.

In addition to the information provided on page 20 of the application, it would be helpful to have an appreciation of utilization in 2013 by zipcode by severity (Levels 1-V) by completing the table below using data from internal hospital discharge data base or other reliable sources known to the applicant. As a suggestion, the applicant may want to limit the data to the "Top 5" Shelby County zipcodes that accounted for approximately 80% of total ED visits in 2014.

See ED volumes by acuity by top 5 zips below for more granular information on the service area and acuity levels. Over 90% of ED visits originate from Shelby County.

HOSPITAL ED VISITS BY PATIENTS 5 TOP ZIPCODES IN PSA, 2013

Zipcode	Level 1 CPT 99281	Level 2 CPT 99282	Level 3 CPT 99283	Level 4 CPT 99284	Level 5 CPT 99285	Level 6 CPT 99291	Total ED Visits	% Total Visits
38109	412	2,256	6,868	5,726	4,524	115	19,901	32%
38116	331	2,120	5,902	5,117	3,393	66	16,929	27%
38106	107	538	1,621	1,422	1,052	18	4,758	8%
38118	82	467	1,402	1,241	825	21	4,038	6%
38114	54	369	989	915	600	7	2,934	5%
Other Shelby County	180	931	2,983	2,814	1,708	24	8,640	14%
Other TN Counties	2	26	66	69	79	2	244	0%
Other States	85	411	1,446	1,667	1,217	30	4,856	8%
Total	1,253	7,118	21,277	18,971	13,398	283	62,300	100%

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6. Section C, Economic Feasibility, Item 1 (Project Costs Chart)

Please identify the amounts in the Project Costs Chart that total to the \$5,720,058 construction cost shown in the Square Footage Chart on page 10 of the application.

Please see the following chart showing how \$5,720,058 of construction costs from page 10 are accounted for in the Project Cost Chart on page 26 of the application.

The construction costs (\$4,054,930) plus the chiller (\$663,120) and canopy work (\$10,000) are included as construction costs of \$4,728,050. The site work (\$437,003) and helistop (\$35,000) are included as site preparation costs of \$472,003. And the construction contingency (\$520,005) is combined with equipment and other contingency estimates for a total of \$893,708 in the Project Cost chart.

**METHODIST SOUTH CONSTRUCTION COSTS
RECONCILED TO PROJECT COSTS**

Costs from Cost per Square Footage Chart	Total Construction Page 10	Line 5 Construction Costs from Project Cost Chart Page 26	Line 4 Preparation of Site Costs from Project Cost Chart Page 26	Line 6 Contingency Costs from Project Cost Chart Page 26
A. Unit / Department				
Existing Emergency Department	\$742,650	\$742,650		
Connecting Corridor/Gallery/Vestibule	\$66,880	\$66,880		
Emergency Department Addition	\$3,245,400	\$3,245,400		
B. Unit/Depart. GSF Sub-Total	\$4,054,930	\$4,054,930		
C. Total GSF	\$4,054,930	\$4,054,930		
OTHER				
Demolition of Existing Canopy	\$10,000	\$10,000		
Site Work	\$437,003		\$437,003	
Chiller/Infrastructure Upgrades	\$663,120	\$663,120		
Helistop for Helicopter	\$35,000		\$35,000	
SUBTOTAL CONSTRUCTION & SITE WORK	\$5,200,053			
Construction cost escalation (10% subtotal)	\$520,005			\$520,005
Total	\$5,720,058	\$4,728,050	\$472,003	\$520,005
Plus Equipment and other Contingency Costs				\$373,703
Total	\$5,720,058	\$4,728,050	\$472,003	\$893,708

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Line 9 contains \$125,000 for “cost of movements to keep ED operating during construction”. Please briefly describe what this entails in terms of the phasing of the project and the use of other existing space on a temporary basis, such as space adjacent to the main ED that may be available during construction activity.

Given the hospital plans to construct new space and renovate existing ED space while continuing to treat patients in these areas, there are detailed phasing plans for this project. The cost of movements is for the temporary relocation of clinical spaces, patient rooms, and equipment. The phases will be staged so that the addition to the building is constructed first and then the existing ED will be renovated. The new construction (new fast track area) will be used in addition to the existing fast track area in the MOB to temporarily relocate work areas and patient rooms while the existing acute areas are staged and renovated.

An example of such costs is the renovation of the existing resuscitation rooms. Two new specialty rooms (the bariatric and infectious disease rooms) will be renovated first and equipped to temporarily function as resuscitation rooms while the two existing resuscitation rooms are being renovated. This will require running gases and data lines as well as relocating equipment into those two rooms for the renovation phase. This estimated \$125,000 cost will cover the phasing process.

The March 9, 2015 letter from the architect is noted. Please identify the name(s) of the primary guidelines that might specifically apply to ED projects of this type.

The primary guidelines for construction projects that are applied to this project are the 2010 Guidelines for Design and Construction of Health Care Facilities published by the Facility Guidelines Institute. These guidelines will be adhered to for the proposed construction and renovation project. Other guidelines for capacity are discussed in more detail in question #2 above.

7. Section C Economic Feasibility Item 4 (Historical Data Chart)

The chart for the parent organization is noted. Review of the Combined Statements of Operation revealed what appears to be total net revenues of \$1,582,295,000 for the period ending January 2013 in lieu of \$1,422,599,000 shown in the Historical Data Chart. Please briefly describe what accounts for the difference.

For the period ending December 31, 2013, the Combined Statements of Operations (page 69 - Attachment C: Economic Feasibility (10) Financial Statements) of the original application show Total Net Revenue of \$1,582,295,000. This audited statement is for *Methodist Le Bonheur Healthcare and Affiliates* which includes all entities within the Methodist Healthcare system. This includes Methodist Fayette Hospital, Methodist Olive Branch Hospital, and Methodist Extended Care Hospital, as well as physician practices, foundations, and Affiliated Services (Homecare, Hospice, and Home Medical Equipment.) As such, total net revenues for combined operations are greater than net revenue for the individual entity - *Methodist Healthcare Memphis Hospitals*. Please refer to the Historical Data Chart on page 29 in the original application or Attachment 7A (placed here for easier access) for the

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Methodist Healthcare-Memphis Hospitals financials which were populated with audited numbers

Additionally, the \$125,834,000 amount shown in Income Statement on page 73 of the application appears to be significantly lower than the financial results for fiscal year 2013. Please clarify.

Please note the Income Statement on page 73 of the application is for *Methodist Healthcare-Memphis Hospitals* as of January 31, 2015. As such, this data represents one month of revenues in the current year. In order to compare this amount to a full year (or twelve month period), the figure must be annualized, \$1,510,008,000 ($\$125,834,000 * 12$).

Please also provide a Historical Data Chart for the Emergency Department.

Attachment 7B is the Historical Data Chart for the Methodist South ED Department Project only which includes all patients treated in the ED as well as any related inpatient, outpatient, ambulatory surgery or observation admission.

8. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

The base salary amount for the 117 full time equivalent (FTE) positions classifications provided for the Emergency Department on page 35 amounts to an annual salary and wage cost of approximately \$5.1 million. Even if adjusted for benefits, the amount is significantly lower than the \$29,156,000 budgeted for Year 1 in Salaries and Wages (Line D.1) of the chart. Please clarify how the amounts in the chart were determined.

The Projected Data Chart on page 30 of the application includes all salaries for staff that treated and admitted from the ED. As previously stated, 86% of inpatient admissions are generated from the ED. Therefore, a majority of the total hospital's expenses are included as Project Only expenses and included in the Projected Data Chart. For example, the portion of inpatient nursing salaries allocated to inpatients admitted through the ED are included in the Projected Costs for the ED Project.

The salaries shown on page 35 of the application only include ED and Access staff as noted on the chart. The salaries on page 35 are not comparable to the larger staffing numbers included on page 30. Yet, the Historical Data Charts provided as Attachment 7B are comparable to the Project Only Projections for comparison and trending.

Please provide amounts to provide more detail for the "Other Expenses" of the Projected Data Chart. Please identify same on the HSDA template provided as Exhibit 1 at the end of this questionnaire.

See Attachment 8 for the Other Expenses chart which was inadvertently omitted from the original application.

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9. Section C, Economic Feasibility, Item 6 (Charges)

Please provide definitions of each of the five Levels of Acuity. As a suggestion, please also identify the key CPT codes that apply to each level e.g. those CPT codes that fall in the range of 99281-99285.

This response is based on information pulled directly from the American Medical Association (AMA).

Level 1 (CPT 99281) Emergency department visit for the evaluation and management of a patient, which requires these 3 key components:

- a problem focused history
- a problem focused examination
- straightforward medical decision making

Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are self-limited or minor.

Level 2 (CPT 99282) Emergency department visit for the evaluation and management of a patient, which requires these 3 key components:

- an expanded problem focused history
- an expanded problem focused examination
- medical decision making of low complexity

Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of low to moderate severity.

Level 3 (CPT 99283) Emergency department visit for the evaluation and management of a patient, which requires these 3 key components:

- an expanded problem focused history
- an expanded problem focused examination
- medical decision making of moderate complexity

Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of moderate severity.

Level 4 (CPT 99284) Emergency department visit for the evaluation and management of a patient, which requires these 3 key components:

- a detailed history
- a detailed examination
- medical decision making of moderate complexity

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Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of high severity, and require urgent evaluation by the physician but do not pose an immediate significant threat to life or physiologic function.

Level 5 (CPT 99285) Emergency department visit for the evaluation and management of a patient, which requires these 3 key components within the constraints imposed by the urgency of the patient's clinical condition and/or mental status:

- a comprehensive history
- a comprehensive examination
- medical decision making of high complexity

Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of high severity, and pose and immediate significant threat to life or physiologic function.

10. Section C, Contribution to the Orderly Development of Health Care, Item 7.d

The copy of the most recent Joint Commission 2013 survey report and verification letters for TN Department of Health survey in 2008 are noted. Is there a copy of same noting deficiencies/plan of correction that applies specifically to Methodist South Hospital?

See Attachment 10 for additional documents from the 2008 Licensure survey that have been filed previously with other CONs. Methodist South is part of the Methodist Healthcare-Memphis Hospital license which includes four other acute care facilities. The applicant confirmed that are no specific notes that apply specifically to Methodist South.

11. Outstanding Certificate of Need Project Updates

As recently requested by HSDA staff, annual progress reports are due by April 1, 2015 for a) LeBonheur Children's Hospital, CN1311-042A and b) West Cancer Center, CN1311-043A.

If possible, please provide a copy of the Annual Project Reports for these projects. Otherwise, please provide a brief, 2-3 sentence update for the response to this question.

Please see updates for the requested projects. Annual Projects Reports will be submitted later this week.

Le Bonheur Children's Hospital, CN1311-042A – Pediatric Outpatient Center:

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Phase I has been completed and approved by the Tennessee Department of Health, and we are planning on seeing patients in the space soon. Phase I is approximately 10,000 square feet of renovated space on the second floor. Work will be stopped until the November 2015 relocation of the West Clinic to their new location on Wolf River (see the project update below). At that point renovation of the remainder of the building will commence.

West Cancer Center, CN1311-043A – Comprehensive Cancer Center:

Phase 1 work has also been completed with this project. Phase 1 is renovation of the non-clinical office area in the existing building. Work toward the Phase 2 construction has begun including the new construction of the linear accelerator vaults as well as the site work for a new parking deck. Interior renovation work is currently underway on the east side of the building on all three levels. The first phased occupancy of the interior renovation work is planned for July 2015.

Additional Support for Application

Please see Attachment LETTERS OF SUPPORT and please amend to original application.

ATTACHMENT 1

**Methodist Healthcare-Memphis Hospitals
Bed Complement Table**

**March 25, 2015
10:20am**

Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

<u>METHODIST HEALTHCARE-MEMPHIS HOSPITALS</u>	<u>Current Licensed</u>	<u>Beds *CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	1,085		856		1,085
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical	60		60		60
E. ICU/CCU	192		190		192
F. Neonatal	90		90		90
G. Pediatric	122		122		122
H. Adult Psychiatric	34		34		34
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	1,583		1,352		1,583

*CON-Beds approved but not yet in service

**March 25, 2015
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ATTACHMENT 2

Revised Floor Plan to Identify

Security Hold Room

March 25, 2015
10:20am

CONV2

SCHEMATIC DESIGN

CON FLOOR PLAN

ED RENOVATIONS & ADDITION

METHODIST SOUTH HOSPITAL

1000 W. HAYES AVENUE

MEMPHIS, TENNESSEE 38103

DATE: 03/25/2015

BY: [Signature]

SCALE: 1/8" = 1'-0"

PROJECT NO: 1500000000

REVISIONS:

NO. DESCRIPTION

1.00

2.00

3.00

4.00

5.00

6.00

7.00

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29.00

30.00

Function Legend

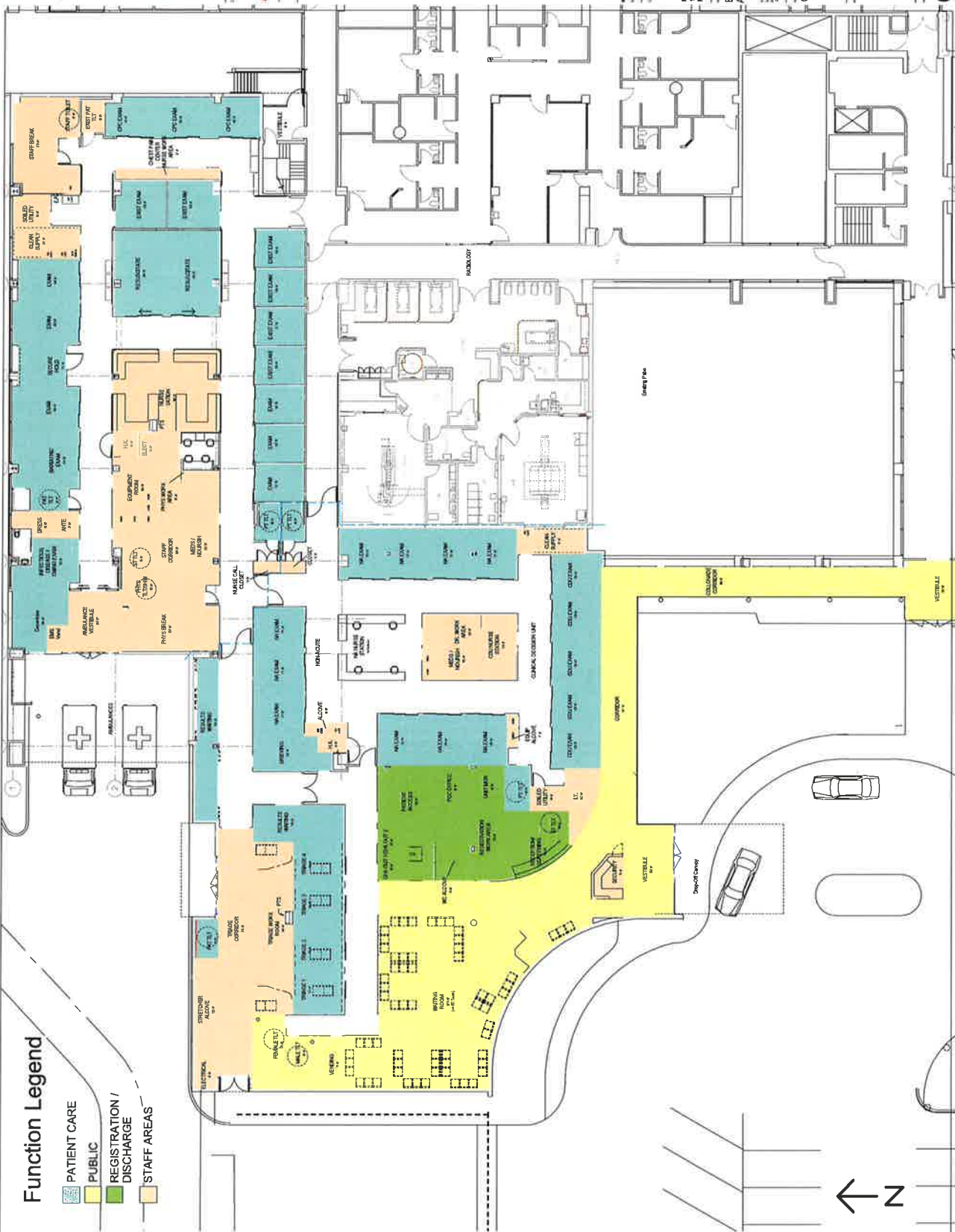
PATIENT CARE

PUBLIC

REGISTRATION /

DISCHARGE

STAFF AREAS



**March 25, 2015
10:20am**

ATTACHMENT 3

Revised Plot Plan to Identify

Existing ED

March 25, 2015
10:20am

brg3s
architects
71 West Heding Avenue
Memphis, Tennessee 38113
P 901.523.8842
www.brg3s.com

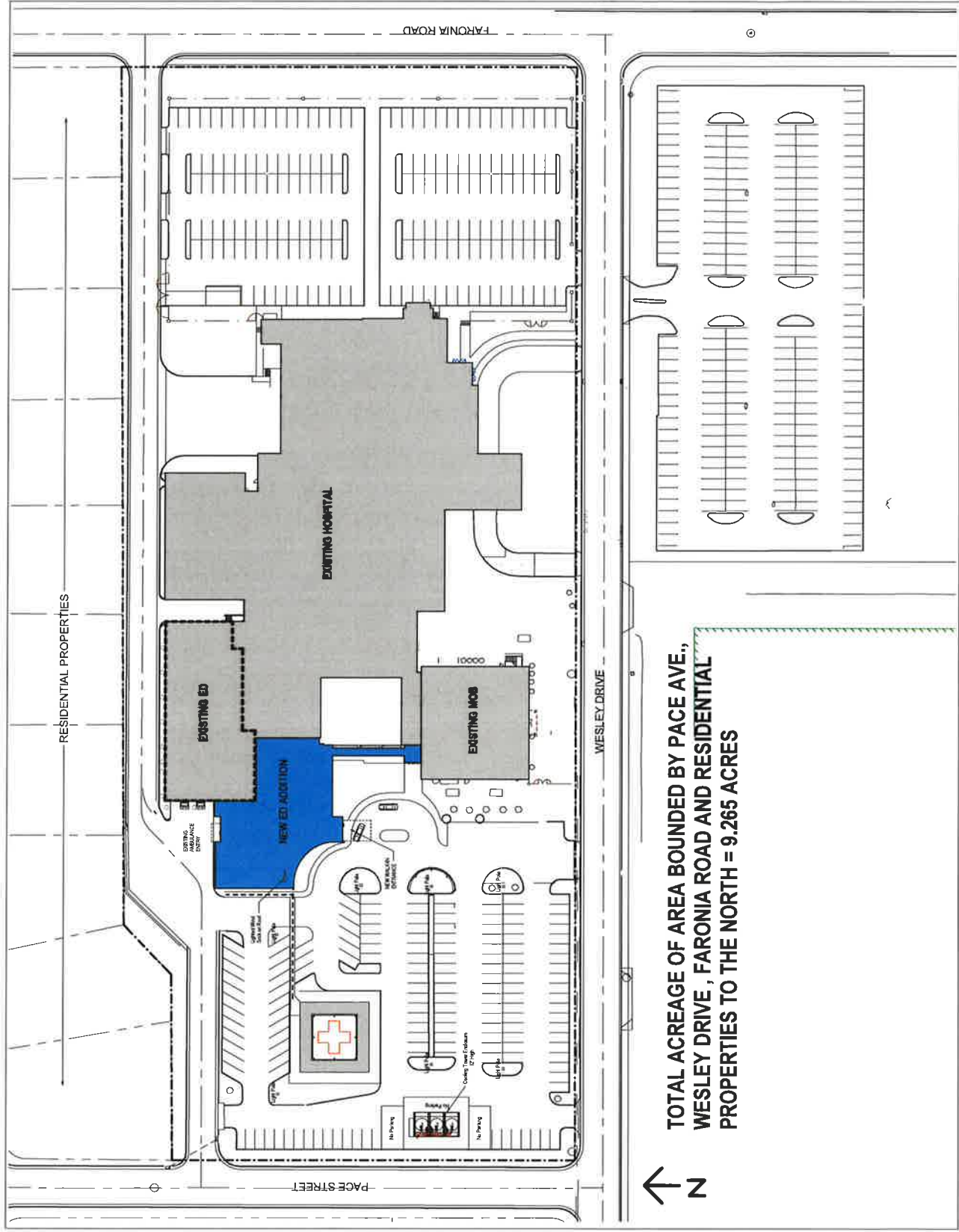
ALLEN & HOSKINS
ARCHITECTS
1000 Peachtree Street, NE
Atlanta, Georgia 30309
P 404.525.1100
www.a-h.com

Methodist South Hospital
1000 Peachtree Street, NE
Atlanta, Georgia 30309
P 404.525.1100
www.methodist.com

ED RENOVATIONS & ADDITION

CON SITE PLAN

SCHEMATIC DESIGN



TOTAL ACREAGE OF AREA BOUNDED BY PACE AVE.,
WESLEY DRIVE, FARONIA ROAD AND RESIDENTIAL
PROPERTIES TO THE NORTH = 9.265 ACRES

ATTACHMENT 7A

Historical Data Chart

From Original Application

Methodist Healthcare-Memphis Hospitals

**March 25, 2015
10:20am**

HISTORICAL DATA CHART

Methodist Healthcare-Memphis Hospital

Give information for the last *three (3)* years for which complete data are available for the facility or agency.

The fiscal year begins in January (Month).

	Year <u>2012</u>	Year <u>2013</u>	Year <u>2014</u>
A. Utilization Data (Patient Days)	<u>350,714</u>	<u>350,492</u>	<u>335,100</u>
B. Revenue from Services to Patients	(in thousands)		
1. Inpatient Services	\$ <u>2,547,551</u>	\$ <u>2,644,207</u>	\$ <u>2,678,760</u>
2. Outpatient Services	<u>2,028,543</u>	<u>2,218,430</u>	<u>2,405,178</u>
3. Emergency Services	<u>285,982</u>	<u>298,270</u>	<u>328,626</u>
4. Other Operating Revenue (See Attachment*)	<u>29,498</u>	<u>44,223</u>	<u>56,953</u>
Gross Operating Revenue	\$ <u>4,891,574</u>	\$ <u>5,205,130</u>	\$ <u>5,469,517</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$ <u>3,052,543</u>	\$ <u>3,287,258</u>	\$ <u>3,516,744</u>
2. Provision for Charity Care	<u>338,430</u>	<u>341,292</u>	<u>357,553</u>
3. Provisions for Bad Debt	<u>142,763</u>	<u>153,981</u>	<u>145,199</u>
Total Deductions	\$ <u>3,533,736</u>	\$ <u>3,782,531</u>	\$ <u>4,019,496</u>
NET OPERATING REVENUE	\$ <u>1,357,838</u>	\$ <u>1,422,599</u>	\$ <u>1,450,021</u>
Operating Expenses			
1. Salaries and Wages	\$ <u>433,147</u>	\$ <u>438,363</u>	\$ <u>434,253</u>
2. Physician's Salaries and Wages	<u>4,073</u>	<u>5,743</u>	<u>4,215</u>
3. Supplies	<u>301,936</u>	<u>315,512</u>	<u>315,558</u>
4. Taxes	<u>1,762</u>	<u>1,243</u>	<u>1,720</u>
5. Depreciation	<u>72,894</u>	<u>73,254</u>	<u>77,924</u>
6. Rent	<u>7,098</u>	<u>6,210</u>	<u>5,127</u>
7. Interest, other than Capital	<u>-</u>	<u>-</u>	<u>-</u>
8. Management Fees a) Fees to Affiliates	<u>3,661</u>	<u>3,649</u>	<u>3,663</u>
b) Fees to Non-Affiliates	<u>3,191</u>	<u>3,259</u>	<u>4,361</u>
9. Other Expenses (See Attachment*)	<u>451,052</u>	<u>482,621</u>	<u>507,778</u>
Total Operating Expenses	\$ <u>1,278,804</u>	\$ <u>1,329,853</u>	\$ <u>1,354,599</u>
E. Other Revenue (Expenses) – Net	\$ <u>33,243</u>	\$ <u>34,763</u>	\$ <u>34,385</u>
NET OPERATING INCOME (LOSS)	\$ <u>112,277</u>	\$ <u>127,509</u>	\$ <u>129,807</u>
F. Capital Expenditures			
1. Retirement of Principal	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
2. Interest	<u>24,053</u>	<u>27,620</u>	<u>26,754</u>
Total Capital Expenditures	\$ <u>24,053</u>	\$ <u>27,820</u>	\$ <u>26,754</u>
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	\$ <u>88,224</u>	\$ <u>99,889</u>	\$ <u>103,053</u>

**Attachment C: Economic Feasibility Other*

**March 25, 2015
10:20am**

ATTACHMENT 7B

Historical Data Chart

Methodist South Hospital – ED Project Only

**Historical Data Chart
Methodist South Hospital- Emergency Department Project Only**

**March 25, 2015
10:20am**

Give information for the last three (3) years for which complete data is available for the facility or agency.
The fiscal year begins in January.

	<u>Year 2012</u>	<u>Year 2013</u>	<u>Year 2014</u>
A. Utilization/Occupancy Data (discharges)	62,762	66,333	62,659
B. Revenue from Services to Patients		---- (in thousands) ----	
1. Inpatient Services	\$ 166,851	182,193	160,454
2. Outpatient Services			
3. Emergency Services	136,609	156,985	162,700
4. Other Operating Revenue <u>see attachment</u>			
Gross Operating Revenue	\$ 303,460	339,178	323,154
C. Deductions for Operating Revenue			
1. Contractual Adjustments	\$ 232,849	261,302	256,414
2. Provision for Charity Care			
3. Provisions for Bad Debt			
Total Deductions	\$ 232,849	261,302	256,414
NET OPERATING REVENUE	\$ 70,611	77,876	66,740
D. Operating Expenses			
1. Salaries and Wages	\$ 28,795	32,303	27,092
2. Physician's Salaries and Wages			
3. Supplies	7,909	8,542	8,162
4. Taxes			
5. Depreciation	1,620	1,660	1,493
6. Rent			
7. Interest, other than Capital			
8. Management Fees: a) Fees to Affiliates	7,334	8,145	7,691
b) Fees to Non-Affiliates			
9. Other Expenses (Specify) <u>see attachment</u>	20,771	22,010	18,069
Total Operating Expenses	\$ 66,429	72,660	62,507
E. Other Revenue (Expenses) -- Net (Specify) <u>see attachment</u>	\$		
NET OPERATING INCOME (LOSS)	\$ 4,182	5,216	4,233
F. Capital Expenditures			
1. Retirement of Principal	\$		
2. Interest			
Total Capital Expenditures	\$ -	-	-
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	\$ 4,182	5,216	4,233

Defining "Other" categories

**March 25, 2015
10:20am**

Other Expenses:

**Professional Fees
Contract Svcs and Maint. Contracts
Support from Other Departments*
PAS & HIM Costs
Interest Expense
All Other Dept. not Otherwise Assigned**

ATTACHMENT 8

Other Expenses

Projected Data Chart

**Projected Data Chart- Other Expenses
Methodist Healthcare-Memphis Hospitals**

**March 25, 2015
10:20am**

	Year 1 2017	Year 2 2018
1 Professional Fees	\$ 771,025	\$ 774,880
2 Contract Svcs and Maint. Contracts	\$ 1,381,708	\$ 1,388,617
3 Support from Other Departments*	\$ 8,292,219	\$ 8,333,680
4 PAS & HIM Costs	\$ 1,893,576	\$ 1,903,044
5 Interest Expense	\$ 371,193	\$ 373,049
6 All Other Dept. not Otherwise Assigned	\$ 6,076,175	\$ 6,106,556
Total Other Expenses	\$ 18,785,898	\$ 18,879,827

**March 25, 2015
10:20am**

Attachment 10

Additional Letters and Survey Results

March 25, 2015
10:20am

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
781-B AIRWAYS BOULEVARD
JACKSON, TENNESSEE 38301-3203

January 29, 2008

Ms. Peggy Troy, Administrator
Methodist Healthcare Memphis Hospitals
1211 Union Avenue, Ste 700
Memphis, TN 38104

RE: Licensure Surveys

Dear Ms. Troy:

Enclosed is the statement of deficiencies for the licensure surveys completed at your facility on January 17, 2008. Based upon 1200-8-1, you are asked to submit an acceptable plan of correction for achieving compliance with completion dates and signature within **ten (10) days** from the date of this letter.

Please address each deficiency separately with positive and specific statements advising this office of a plan of correction that includes acceptable time schedule, which will lead to the correction of the cited deficiencies. **Enter on the right side of the State Form, opposite the deficiencies, your planned action to correct the deficiencies and the expected completion date.** The completion date can be no longer than **45 days from the day of survey.** Before the plan can be considered "acceptable," it must be signed and dated by the administrator

Your plan of correction must contain the following:

- How the deficiency will be corrected;
- How the facility will prevent the same deficiency from recurring.
- The date the deficiency will be corrected;
- How ongoing compliance will be monitored.

Please be advised that under the disclosure of survey information provisions, the Statement of Deficiencies will be available to the public.

If assistance is needed, please feel free to call me at 731-421-5113.

Sincerely,

Cella Skelley, MSN, RN
Public Health Consultant Nurse 2

CS/TW

SUPPLEMENTAL-1

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNP531109	(X2) MULTIPLE CONSTRUCTION A. BUILDING 03 - METHODIST NORTH BUIL B. WING _____	(X3) DATE SURVEY COMPLETED March 25, 2015 10:20am 01/16/2008
NAME OF PROVIDER OR SUPPLIER METHODIST HEALTHCARE MEMPHIS HOSPIT		STREET ADDRESS, CITY, STATE, ZIP CODE 1265 UNION AVE SUITE 700 MEMPHIS, TN 38104		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 871	<p>1200-8-1-.08 (1) Building Standards</p> <p>(1) The hospital must be constructed, arranged, and maintained to ensure the safety of the patient.</p> <p>This Rule is not met as evidenced by: Methodist North</p> <p>Based on observation, it was determined that the facility failed to maintain all parts of the building.</p> <p>The findings included;</p> <p>On 1/16/08 these items were found during the tour of the building:</p> <p>a. On the 5th floor a sprinkler head defector was found bent by room 511 in the corridor.</p> <p>b. On the 4th floor the oxygen storage room door would not close and latch.</p> <p>c. On the 3rd floor a penetration was found around the duct above the ceiling by room 308.</p> <p>d. On the 2nd floor at the entrance of the Cath lab by the elevators the hand rail had came lose from the wall.</p> <p>e. On the 2nd floor the fire doors(2-FD-222) at the entrance of the Cath Lab did not close and latch.</p> <p>f. On the 2nd floor at the Cardiac Short Stay a hole in the wall was found behind the fire door.</p> <p>g. On the 1st floor in the O R Preop holding, storage was being stored in the patient holding areas.</p> <p>h. In the Newborn Instension Care has 2 of 3 Emergency lights that did not work when tested.</p> <p>i. The door to the oxygen storage room (140) did not close and latch.</p> <p>j. The smoke detector outside the Dialysis room is approximately 12 inches from the supply vent from the air conditioner.</p>	H 871	<p>Building Standards</p> <p>a. Sprinkler head was repaired. A full inspection of corridor sprinkler heads was completed on 02/06/2008 with findings of 7 bent heads from a total of 278 inspected. These sprinkler heads will be replaced by March 7th.</p> <p>b. Door latch was replaced. Random fire door inspections will continue to ensure that all fire doors are included in the program and not just those that are located in the hallways at fire barriers.</p> <p>c. Repaired penetration. We believe this to be an isolated occurrence as no other penetrations were found. Continue quarterly random penetration inspections and annual full building penetration inspections.</p> <p>d. Changed hand rail to wall guard. Will inspect elevator service lobbies for best application of wall guard versus hand rails and change as appropriate.</p> <p>e. Door latch was repaired on Continue random fire door inspections and ensure that all fire doors are included in the program.</p> <p>f. The hole in the wall has been repaired. This appeared to an isolated incident, which occurred very recently. An inspection of every set of fire doors that are held open found that this was the only door with an issue.</p>	<p>01/23/08</p> <p>01/17/08</p> <p>01/16/08</p> <p>01/22/08</p> <p>01/17/08</p> <p>01/18/08</p>

Division of Health Care Facilities

TITLE

(X5) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM

6889

VQ4921

If continuation sheet 1 of 2

[illegible]

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNP531109	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE COMPLETE March 25, 2015 10:20am
NAME OF PROVIDER OR SUPPLIER METHODIST HEALTHCARE MEMPHIS HOSPIT		STREET ADDRESS, CITY, STATE, ZIP CODE 1265 UNION AVE SUITE 700 MEMPHIS, TN 38104			
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
H 732	<p>1200-8-1-.06 (9)(b) Basic Hospital Functions</p> <p>(9) Food and Dietetic Services.</p> <p>(b) The hospital must designate a person to serve as the food and dietetic services director with responsibility for the daily management of the dietary services. The food and dietetic services director shall be:</p> <ol style="list-style-type: none"> 1. A dietitian; or 2. A graduate of a dietetic technician or dietetic assistant training program, correspondence or classroom, approved by the American Dietetic Association; or 3. A graduate of a state-approved course that provided ninety (90) or more hours of classroom instruction in food service supervision and has experience as a food service supervisor in a health care institution with consultation from a qualified dietitian. <p>This Rule is not met as evidenced by: Based on review of the hospital's food service contract, of licensure regulations, of personnel files and interviews it was determined the facility failed to meet licensure qualification requirements for 3 of 5 facility Food Service Directors (Facility # 1, 2, and 3) under the hospital license and to follow these State Hospital Regulations.</p> <p>The findings included:</p> <ol style="list-style-type: none"> 1. Review of the hospital contract for dietary services revealed the following documentation under Article 4 - Compliance with laws: "4.1 Compliance. [The food service contract 	H 732	<p>Basic Hospital Functions</p> <p>Qualified Interim Food and Nutrition Services Director has been named for Methodist Le Bonheur Children's Medical Center, Methodist North Hospital and Methodist South Hospital.</p> <p>The Food and Nutrition Services Director job description has been revised to require one of the following:</p> <ol style="list-style-type: none"> 1) a dietitian; or 2) a graduate of a dietetic technician or dietetic assistant training program, correspondence or classroom, approved by the American Dietetic Association; or 3) a graduate of a state-approved course that provided ninety (90) or more hours of classroom instruction in food service supervision and has experience as a food service supervisor in a health care institution with consultation from a qualified dietitian. <p>Food and Nutrition Services Director positions have been posted and recruitment will continue to permanently fill the positions.</p>	02/29/08	

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE
 DATE FORM

TITLE

(X6) DATE

0899

OL3Y11

If continuation sheet 1 of 2

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNP531100	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED March 25 2015 10 20am
NAME OF PROVIDER OR SUPPLIER METHODIST HEALTHCARE MEMPHIS HOSPIT			STREET ADDRESS, CITY, STATE, ZIP CODE 1265 UNION AVE SUITE 700 MEMPHIS, TN 38104		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
H 732	<p>Continued From page 1</p> <p>company] and the System agree to comply with all applicable laws, rules and regulations".</p> <p>2. Review of personnel files for the Food Services Directors at Facilities 1, 2 and 3, failed to show they met the licensure regulations for a food service director.</p> <p>During an interview on 1/14/08, at 10:30 AM, the Food Service Director for Facility #1 confirmed he/she did not have the qualifications to meet the licensure regulation.</p> <p>During an interview on 1/15/08, at 9:30 AM, the Food Service Director for Facility #2 confirmed he/she did not have the qualifications to meet the licensure regulation.</p> <p>During an interview on 1/16/08, at 1:30 PM, the Hospital Clinical Risk Management Director was unable to provide documentation that the Food Service Directors from Facility 1, 2 or 3 met these Licensure Regulations.</p>	H 732	<p>Continued from page 1</p> <p>A check off sheet will be utilized to ensure that before an individual is offered a position as Food and Nutrition Director at any facility in Methodist Le Bonheur Healthcare, the above qualifications are met and one of the following is provided to the HR Recruiter and/or Regional Director of Operations:</p> <ol style="list-style-type: none"> 1) Copy of CDR Registered Dietitian card, or 2) Copy of CDR Registered Dietetic Technician card, or 3) Copy of certificate of graduation from a state approved CDM class. <p>There will be three (3) required levels of approval for each candidate that is chosen for the food and dietetic services director position at Methodist Le Bonheur Healthcare:</p> <ol style="list-style-type: none"> 1) Regional Director of Operations with Morrison 2) Regional Vice President with Morrison 3) Methodist Le Bonheur Healthcare Facility Administrative Liaison or the Methodist Le Bonheur Healthcare Facility Human Resource Director. <p>The dietary department will be included in the quarterly Human Resource Department audit. The facility liaison Director at each facility will review the personnel files on an annual basis and at time of new hire.</p>		

Division of Health Care Facilities
STATE FORM

0000

0L3Y11

If continuation sheet 2 of 2

**March 25, 2015
10:20am**

LETTERS OF SUPPORT

STEVE COHEN

9TH DISTRICT, TENNESSEE

1005 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

TELEPHONE: (202) 225-3265
FAX: (202) 225-6663

CLIFFORD DAVIS/ODELL HORTON
FEDERAL BUILDING
107 NORTH MAIN STREET
SUITE 369
MEMPHIS, TN 38103

TELEPHONE: (901) 544-4131
FAX: (901) 544-4329

www.cohen.house.gov

Congress of the United States
House of Representatives
Washington, DC 20515-4209

March 17, 2015

COMMITTEE ON THE JUDICIARY
SUPPLEMENTAL-1

SUBCOMMITTEES:
COURTS, COMMERCIAL, AND
ADMINISTRATIVE LAW, BANKING, AND
CRIME, TERRORISM, AND
HOMELAND SECURITY
March 25, 2015 10:20am

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE

SUBCOMMITTEES:
AVIATION
HIGHWAYS AND TRANSIT
WATER RESOURCES AND ENVIRONMENT

Melanie Hill, Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Dear Ms. Hill:

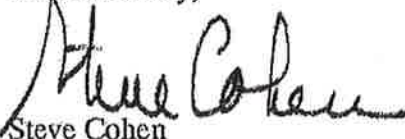
I am writing this letter in support of the Certificate of Need application required for approval to renovate and expand the Emergency Room at Methodist South Hospital.

When Methodist South first opened in 1973, the ER saw about 35,000 patients each year. That number has continued to grow and last year they cared for more than 62,000 patients. Looking at these numbers, it is imperative that the hospital upgrade and grow so that area residents can continue to receive the high-quality care that they deserve.

The community will be best served with a state-of-the art facility to anticipate the growing demands of an aging population. I request that you approve the new Emergency Room for Methodist South Hospital. If you need additional information from my office, please feel free to contact Beanie Self at 901-544-4131.

As always, I remain

Most sincerely,



Steve Cohen
Member of Congress

REGINALD TATE

STATE SENATOR

33RD SENATORIAL DISTRICT

MEMBER OF COMMITTEES:

VICE CHAIR

EDUCATION

COMMERCE



Senate Chamber

State of Tennessee

NASHVILLE

March 25, 2015

10:20am

FINANCE, WAYS AND MEANS

FISCAL REVIEW

SELECT OVERSIGHT COMMITTEE

ON BUSINESS TAXES

SELECT COMMITTEE ON TENNESSEE

EDUCATION LOTTERY CORPORATION

COVER TENNESSEE ADVISORY COMMITTEE

March 17, 2015

Melanie Hill, Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Director Hill:

I would like express my support for the Certificate of Need application filed by Methodist South Hospital to renovate and expand its emergency room.

It has been my experience that Methodist South has a strong commitment to patient safety and quality care. In order to maintain this high standard, the hospital needs an Emergency Department with increased capacity for the more than 62,000 patients they treat annually. The new construction would not only give the hospital a much-needed facelift, but allow the hospital to comfortably accommodate the current patient volumes.

I strongly urge you to approve the construction of the emergency room at Methodist South Hospital.

Sincerely,

A handwritten signature in black ink, appearing to read "Reginald Tate".

Senator Reginald Tate
Senatorial District 33

320 War Memorial Building, Nashville, TN 37243
Phone (615) 741-2509 Fax (615) 253-0167 Toll Free 1-800-449-8366 Ext. 12509
sen.reginald.tate@capitol.tn.gov



TENNESSEE

SUPPLEMENTAL- 1

**March 25, 2015
10:20am**

**A C WHARTON, JR.
MAYOR**

March 17, 2015

Melanie Hill, Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

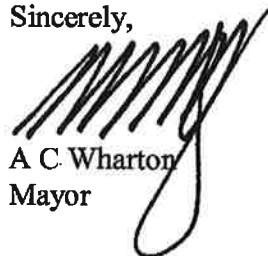
Dear Ms. Hill:

On behalf of the City of Memphis, I am pleased to offer my support for the Certificate of Need application submitted by Methodist South Hospital.

Methodist South has been committed to providing personalized, compassionate and high-quality care to patients and families. Located in Whitehaven, they have been serving the residents of south Memphis and the surrounding area for more than 40 years. This expansion is very much needed to allow staff to efficiently care for the more than 62,000 patients treated in the Emergency Department each year.

I strongly encourage you to approve Methodist South's Certificate of Need application.

Sincerely,



A C Wharton
Mayor



TENNESSEE

HAROLD B. COLLINS
Council Member - District 3

CITY COUNCIL

March 25, 2015
10:20am

March 18, 2015

Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill:

As a member of the Memphis City Council, I would like to offer my support for the expansion and renovation of the Emergency Room at Methodist South Hospital.

The hospital was built more than 40 years ago and has experienced intense volume growth, including the number of people served in the Emergency Department. Renovating and expanding the ER is timely and necessary in order to continue to serve the Whitehaven and surrounding communities with excellent medical care.

I support this project and hope that the State of Tennessee Health Services and Development Agency approves Methodist South's Certificate of Need application.

Sincerely,

Harold Collins
Memphis City Council
District 3

**March 25, 2015
10:20am**

MAR 25 15 9:10:24

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF SHELBY

Janet C. Ingram being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T. C.A. § 68-11-1601, *et seq.*, and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

[Signature] SVP/CEO Methodist South Hospital
Signature/Title

Sworn to and subscribed before me this the 24 day of March, 2015, a Notary Public in and for the County of Shelby, State of Tennessee.

[Signature]
NOTARY PUBLIC

My Commission expires 4-27-15.



SUPPLEMENTAL #2



March 27, 2015

Melanie Hill
Executive Director
State of Tennessee
Health Services and Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, TN 37243

Dear Ms. Hill:

Methodist Healthcare, centered in Shelby County, is one of Tennessee's largest healthcare providers. Methodist Healthcare's principal acute care subsidiary organization is Methodist Healthcare--Memphis Hospitals that owns and operates five Shelby County hospitals, including Methodist South, the applicant for this notice. Methodist South Hospital is the acute care hospital centered in the Whitehaven community in South Memphis. Methodist South is filing a Certificate of Need CN1503-008 for the renovation and expansion of the Emergency Department on the hospital campus.

Enclosed in triplicate are the responses to the second round of supplemental questions for CN1503-008 and the affidavit with original signature. Please let us know if you have any questions or need additional information.

Sincerely,

A handwritten signature in cursive script that reads "Carol Weidenhoffer".

Carol Weidenhoffer
Senior Director of Planning, Research & Development

Cc: Bryon Trauger

1. Section B, Project Description, Item II.A

The response with revised table is noted. In terms of the planning range used in determining capacity noted by the applicant, it appears the hospital's historical utilization may have reached approximately 100% of the 63,529 total capacity noted (adjusted for higher acuities) during the most recent 2 years. Also, with projected utilization at 100% of capacity, what consideration was given for adding more rooms in lieu of remaining at the current 37 total rooms being proposed?

During project planning, Methodist South leaders and design partners considered adding more rooms to address workflow issues. An initial design added up to ten rooms and almost doubled the costs. These initial estimates made the project too costly. The Methodist mission is to be a leader in high quality and cost effective care. In today's cost-conscious healthcare environment, fiscally responsible decisions are a key to delivering value to patients, payers, and employers.

Consequently, the hospital leaders and design team researched innovative options to improve throughput while staying within budget, maintaining quality care, and improving patient experience and privacy. One such plan for the proposed project is the results waiting room or as it is referred to in the articles referenced below "results pending". The addition of the results pending areas and the efficiencies gained from relocating the fast track into contiguous space will provide the ED staff with the capacity needed to treat 60,000+ visits annually.

Using a "results pending" area has been proven to effectively improve patient flow or as the article calls it middle-flow which is the time from examination to disposition. "By operationalizing a 'results pending' area, low-acuity patients who are unlikely to be admitted can await diagnostic results or be actively monitored by a dedicated nurse, ED rooms and beds may be reserved for higher acuity patients" (Esbenshade, 2015, p. 58). The following excerpt from a recent *Advanced Emergency Nursing Journal* article is an example of how another emergency department benefited from the model:

Before implementing a results pending model, the ED at St. John's Hospital, affiliated with the HealthEast Care System in Maplewood, MN (annual volume 39,000 ED patients), was ranked below the 50th percentile by patients on most measures of care by its patient satisfaction vendor as compared with peer organizations. "Left without seen" patients were well above the national average at 4.5%, and length of stay was high at an average of 259 min. ... After 19 months of utilizing a results pending area, St. John's Hospital reduced door-to-provider time from 51 to 32 min, door-to-bed time from 47 to 19 min, and left without seen patients by 2.3%, for a total left without seen rate below the 1.8 national average of just 1.25%. Length of stay has been reduced from an average of 259 to 198 min." (Esbenshade, 2015, p. 60)

Esbenshade, A. (2015, January). Making the Middle Count: Three Tools to Improve Throughput for a Better Patient Experience. Retrieved March 27, 2015, from <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4323556/>

2. Section C, Need, Item 1 (Project Specific Criteria)

Item 3.a. (Demand for Project):

The response pertaining to diversions is noted. Please also complete the table below to help illustrate demand by comparing the applicant's average utilization per ED room to the utilization of the other hospitals noted in the table on page 23 of the application.

Please note also that the comparison should include how the average utilization compared to the American College of Emergency Physicians general industry standard of 1,500 visits per ED room in 2013.

The chart below illustrates the need for this project from a market perspective. As noted previously, Methodist considered industry standards as well as cost, quality, and patient and family centered care.

ED visits in Shelby County hospitals grew 19% (85,553) from 2010 to 2013. The Methodist system outpaced market growth at 21% (52,824) or 20% (41,483) excluding Le Bonheur Children's Hospital which is the only Level 1 pediatric trauma center in the market. In 2010, visits at Methodist South were at the quoted industry average at 55,500 (37*1,500). Visits grew by 12% (6,778) over the next three years driving the comparison to 112% of the ACEP industry average.

It is important to note that all hospitals contributed to the growth and there were none that saw a decline. The growth of 85,553 visits is significant in that it is more than double the 2010 average visit per facility of 41,777 - thus equating the market growth to the size of adding two ED's.

SHELBY COUNTY SERVICE AREA
EMERGENCY DEPARTMENT VISITS AND ROOMS, 2010-2013

Hospital	ED Rooms	Actual 2010	Actual 2011	Actual 2012	Actual 2013	% Change	Average 2013 ED visits per room	% of 1500/bed ACEP std*
Methodist University*	38	54,765	56,725	60,902	62,587	14%	1,647	110%
Methodist South	37	55,522	59,346	62,659	62,300	12%	1,684	112%
Methodist North	43	53,336	59,726	66,862	69,062	29%	1,606	107%
Methodist Germantown	38	43,757	48,109	53,937	54,914	25%	1,445	96%
Le Bonheur Children's	60	44,017	48,128	51,300	55,358	26%	923	62%
Methodist Subtotal	216	251,397	272,034	295,660	304,221	21%	1,408	94%
Regional One (formerly Regional Medical Center)	51	47,669	45,189	48,985	55,963	17%	1,097	73%
Baptist-Memphis*	52	56,862	56,862	58,333	60,274	6%	1,159	77%
Baptist-Collierville	13	16,104	16,602	17,735	16,714	4%	1,286	86%
St. Francis-Park	38	37,223	39,853	42,198	44,856	21%	1,180	79%
St. Francis-Bartlett	30	29,666	31,353	36,561	36,616	23%	1,221	81%
Delta Medical Center	13	20,629	24,350	24,385	26,459	28%	2,035	136%
Other Subtotal	197	208,153	214,209	228,197	240,882	16%	1,223	82%
Total Shelby County Market	413	459,550	486,243	523,857	545,103	19%	1,320	88%
Shelby County Average Visits per Facility		41,777	44,204	47,623	49,555			
Sources: Tennessee Joint Annual Reports for ED visits 2010-2013; Methodist beds from internal sources, Regional One, St. Francis, Baptist Collierville and Delta beds from sources at each hospital, Baptist Memphis beds from CN1211-058 excluding new pediatric beds opened at Baptist Women's in 2014.								
<ul style="list-style-type: none"> Note: Methodist University and Baptist Memphis exclude ED beds opened in 2014-2015 since they are not applicable to 2013 volumes. Methodist University opened a new relocated ED with 56 ED beds on September 2014. Baptist Women's CN1211-058 states there will be 60 ED treatment areas upon project completion between Baptist Memphis and Baptist Women's. The Baptist Women's pediatric ED opened early 2015. 								

As the chart shows, Methodist facilities have some of the busiest EDs in the service area. Each of the EDs within Methodist Healthcare-Memphis Hospitals treated approximately 55,000 visits in 2013 (94% of ACEP standard). Please note the three inner city EDs treated over 60,000 (all 100%+ of ACEP standard) including Methodist South being the second highest in the market at 112% of ACEP standard.

3. Outstanding Certificate of Need Project Updates

The response with brief updates is noted. HSDA staff appreciates the efforts to provide the Annual Project reports requested.

Please see Attachment 3 for Annual Progress Reports for Methodist outstanding projects.

9/2/2016 5:03 PM

ATTACHMENT 3 PROGRESS REPORTS



**STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY**

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
615/741-2364

**ANNUAL PROGRESS REPORT
ANNUAL REVIEW FOLLOWING CERTIFICATION**

Project Name: Methodist Healthcare—University Hospital – Replacement Emergency Department

Certificate of Need #: CN1208-041

Legal Owner: Methodist Healthcare - Memphis Hospitals

Approval Date: November 14, 2012

Expiration Date: January 1, 2016

Project Description:

This project is for the replacement of the Emergency Department (ED) and relocation of the ED within the hospital's campus at 1265 Union Avenue, Memphis, TN 38104. The project is the construction of a replacement ED and renovation of existing space. The project will replace an existing CT.

******PLEASE SUBMIT EVIDENCE TO SUPPORT EACH ANSWER******

In a brief narrative, please describe the current stage of completion for the project (use another sheet of paper if necessary). **Please note that this report will not be considered complete without this information.**

The ED opened in September 2014 and has been operational in the new building since that time. There remains some external work to complete the total project. The construction company has finished with the brick work to close the end of the Crews wing and install the hand rails and landscaping in this area. The completion of the circle adjacent to the new ED is the last phase of work. In the next month, we anticipate the asphalt work in the circle will be complete. The final report will be filed within the next sixty days.

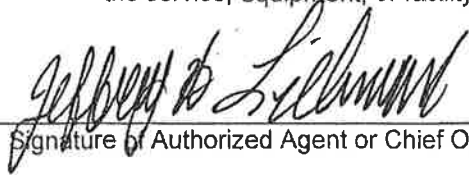
A. CONSTRUCTION PROJECTS

1. Anticipated date of project completion. **April 2015**
2. Provide written confirmation from the contractor documenting the stage of construction at the current time.
3. If proposed construction costs have increased over ten (10%) percent please provide information as an attachment to this form. Please note that such an overrun could require additional action before the Agency. **Not Applicable – there are no cost overruns projected for this project.**

B. NON-CONSTRUCTION PROJECTS

1. Anticipated date of service implementation, acquisition or operation of the facility or equipment as certified.

2. Provide written confirmation from the institutional representative verifying the occupancy/opening date for the service, equipment, or facility.



Signature of Authorized Agent or Chief Operating Officer

March 27, 2015
Date

HSDA-0054 (Revised 11/18/2010 – All forms prior to this date are obsolete)



**STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY**

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
615/741-2364

ANNUAL PROGRESS REPORT
ANNUAL REVIEW FOLLOWING CERTIFICATION

Project Name: Methodist Healthcare – Memphis Hospitals - West Cancer Center

Certificate of Need #: CN1311-043

Legal Owner: Methodist Healthcare - Memphis Hospitals

Approval Date: February 26, 2014

Expiration Date: April 1, 2017

Project Description:

The project is to establish a comprehensive cancer center, to relocate linear accelerator, PET/CT, MRI and CT services and equipment, to replace the MRI equipment, to acquire an additional linear accelerator and to establish ambulatory operating rooms. The facility will be located at 7945 Wolf River Boulevard, Germantown, TN 38138 and will be operated as an outpatient department of Methodist Healthcare – Memphis Hospitals under the name WEST CANCER CENTER. The project includes a full array of cancer services and programs.

******PLEASE SUBMIT EVIDENCE TO SUPPORT EACH ANSWER******

In a brief narrative, please describe the current stage of completion for the project (use another sheet of paper if necessary). Please note that this report will not be considered complete without this information.

Phase 1 work has been completed with this project. Phase 1 is renovation of the non-clinical office area in the existing building. Work toward the Phase 2 construction has begun including the new construction of the linear accelerator vaults as well as the site work for a new parking deck. Interior renovation work is currently underway on the east side of the building on all three levels. The first phased occupancy of the interior renovation work is planned for July 2015.

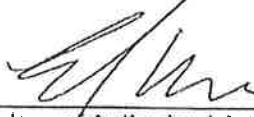
A. CONSTRUCTION PROJECTS

1. Anticipated date of project completion. **December 2015**
2. Provide written confirmation from the contractor documenting the stage of construction at the current time.
3. If proposed construction costs have increased over ten (10%) percent please provide information as an attachment to this form. Please note that such an overrun could require additional action before the Agency. **Not Applicable – there are no cost overruns projected for this project.**

B. NON-CONSTRUCTION PROJECTS

1. Anticipated date of service implementation, acquisition or operation of the facility or equipment as certified.

2. Provide written confirmation from the institutional representative verifying the occupancy/opening date for the service, equipment, or facility.



Signature of Authorized Agent or Chief Operating Officer

March 27, 2015
Date

HSDA-0054 (Revised 11/18/2010 – All forms prior to this date are obsolete)



**STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY**

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
615/741-2364

ANNUAL PROGRESS REPORT
ANNUAL REVIEW FOLLOWING CERTIFICATION

Project Name: Le Bonheur Children's Hospital – Pediatric Outpatient Center

Certificate of Need #: CN1311-042

Legal Owner: Methodist Healthcare - Memphis Hospitals

Approval Date: February 26, 2014

Expiration Date: April 1, 2017

Project Description:

The project is to establish a pediatric outpatient center and to initiate and acquire new MRI and CT services and equipment. The facility will be located at 100 North Humphreys Boulevard, Memphis, TN 38120 and will be operated as an outpatient department of Le Bonheur Children's Hospital.

******PLEASE SUBMIT EVIDENCE TO SUPPORT EACH ANSWER******

In a brief narrative, please describe the current stage of completion for the project (use another sheet of paper if necessary). Please note that this report will not be considered complete without this information.

Phase I has been completed and approved by the Tennessee Department of Health, and we are planning on seeing patients in the space soon. Phase I is approximately 10,000 square feet of renovated space on the second floor of the building. Work will be stopped until the November 2015 relocation of the West Clinic to their new location on Wolf River. At that point renovation of the remainder of the building will commence. The West Clinic project (CN1311-043) was approved at the same time. The West Clinic is relocating to a new location and Le Bonheur is backfilling the old office space with the outpatient center.

A. CONSTRUCTION PROJECTS

1. Anticipated date of project completion. **July 2016**
2. Provide written confirmation from the contractor documenting the stage of construction at the current time.
3. If proposed construction costs have increased over ten (10%) percent please provide information as an attachment to this form. Please note that such an overrun could require additional action before the Agency. **Not Applicable – there are no cost overruns projected for this project.**

B. NON-CONSTRUCTION PROJECTS

1. Anticipated date of service implementation, acquisition or operation of the facility or equipment as certified.

2. Provide written confirmation from the institutional representative verifying the occupancy/opening date for the service, equipment, or facility.



Signature of Authorized Agent or Chief Operating Officer

March 27, 2015
Date

HSDA-0054 (Revised 11/18/2010 – All forms prior to this date are obsolete)

5/23/2015 9:15:06 AM

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF SHELBY

James Robinson, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T. C.A. § 68-11-1601, *et seq.*, and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

MTJ SVP/CEO Methodist South Hospital

Signature/Title

Sworn to and subscribed before me this the 27th day of March, 2015, a Notary Public in and for the County of Shelby, State of Tennessee.

Carol B. Baird

NOTARY PUBLIC

My Commission expires 9/16/18



HF-0056

Revised 7/02 - All forms prior to this date are obsolete

COPY SUPPLEMENTAL-1

Methodist South Hospital
CN1503-008

**COPY
SUPPLEMENTAL-2**

**Methodist South Hospital
CN1503-008**

STEVE COHEN

9TH DISTRICT, TENNESSEE

1005 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

TELEPHONE: (202) 225-3265
FAX: (202) 225-5663

CLIFFORD DAVIS/ODELL HORTON
FEDERAL BUILDING
167 NORTH MAIN STREET
SUITE 369
MEMPHIS, TN 38103

TELEPHONE: (901) 544-4131
FAX: (901) 544-4329
www.cohen.house.gov

Congress of the United States
House of Representatives
Washington, DC 20515-4209

March 17, 2015

COMMITTEE ON THE JUDICIARY

SUBCOMMITTEES:
COURTS, COMMERCIAL AND
ADMINISTRATIVE LAW—RANKING MEMBER
CRIME, TERRORISM, AND
HOMELAND SECURITY

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE

SUBCOMMITTEES:
AVIATION
HIGHWAYS AND TRANSIT
WATER RESOURCES AND ENVIRONMENT

Melanie Hill, Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Dear Ms. Hill:

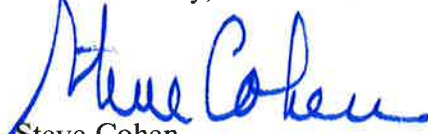
I am writing this letter in support of the Certificate of Need application required for approval to renovate and expand the Emergency Room at Methodist South Hospital.

When Methodist South first opened in 1973, the ER saw about 35,000 patients each year. That number has continued to grow and last year they cared for more than 62,000 patients. Looking at these numbers, it is imperative that the hospital upgrade and grow so that area residents can continue to receive the high-quality care that they deserve.

The community will be best served with a state-of-the art facility to anticipate the growing demands of an aging population. I request that you approve the new Emergency Room for Methodist South Hospital. If you need additional information from my office, please feel free to contact Beanie Self at 901-544-4131.

As always, I remain

Most sincerely,



Steve Cohen
Member of Congress

REGINALD TATE
STATE SENATOR
33RD SENATORIAL DISTRICT

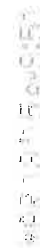
VICE CHAIR
SHELBY COUNTY DELEGATON

MEMBER OF COMMITTEES:

VICE CHAIR
EDUCATION
COMMERCE



Senate Chamber
State of Tennessee
NASHVILLE



FINANCE WAYS & MEANS

FISCAL REVIEW

SELECT COMMITTEE ON ETHICS

**SELECT OVERSIGHT COMMITTEE
ON BUSINESS TAXES**

**SELECT COMMITTEE ON TENNESSEE
EDUCATION LOTTERY CORPORATION**

COVER TENNESSEE ADVISORY COMMITTEE

March 17, 2015

Melanie Hill, Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Director Hill:

I would like express my support for the Certificate or Need application filed by Methodist South Hospital to renovate and expand its emergency room.

It has been my experience that Methodist South has a strong commitment to patient safety and quality care. In order to maintain this high standard, the hospital needs an Emergency Department with increased capacity for the more than 62,000 patients they treat annually. The new construction would not only give the hospital a much-needed facelift, but allow the hospital to comfortably accommodate the current patient volumes.

I strongly urge you to approve the construction of the emergency room at Methodist South Hospital.

Sincerely,

A handwritten signature in black ink, appearing to read "Reginald Tate".

Senator Reginald Tate
Senatorial District 33



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

April 1, 2015

Carol Weidenhoffer, Senior Director of Planning and Business Development
Methodist Healthcare
1407 Union Ave, Suite 300
Memphis, TN 38104

RE: Certificate of Need Application -- Methodist Healthcare-Memphis Hospitals d/b/a Methodist South Hospital - CN1503-008

The renovation and expansion of the Emergency Department and related areas of the hospital campus at 1300 Wesley Drive, Memphis (Shelby County), Tennessee. The project does not involve an increase of the hospital's ED rooms, the addition of inpatient beds, initiation of services or addition of major medical equipment. The service area mirrors the service area of the existing ED – primary service area is Shelby County and secondary is Desoto County, Mississippi. Project cost is \$8,741,872.00

Dear Ms. Weidenhoffer:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need.

Please be advised that your application is now considered to be complete by this office. Your application is being forwarded to the Tennessee Department of Health and/or its representative for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on April 1, 2015. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on June 24, 2015.

Carol Weidenhoffer, Senior Director of Planning and Business Development
1407 Union Ave, Suite 300
March 1, 2014
Page 2

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill
Executive Director

cc: Trent Sansing, CON Director, Division of Health Statistics



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

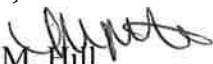
www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Melanie M. Hill 
Executive Director

DATE: April 1, 2015

RE: Certificate of Need Application
Methodist Healthcare-Memphis Hospitals d/b/a Methodist South
Hospital - CN1503-008

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on April 1, 2015 and end on May 1, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Carol Weidenhoffer, Senior Director of Planning and Business Development

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
JUNE 24, 2015
APPLICATION SUMMARY**

NAME OF PROJECT: Methodist Healthcare-Memphis Hospitals dba
Methodist South Hospital

PROJECT NUMBER: CN1503-008

ADDRESS: 1300 Wesley Drive
Memphis (Shelby County), TN 38116

LEGAL OWNER: Methodist Healthcare-Memphis Hospitals
1407 Union Avenue, Suite 300
Memphis (Shelby County), TN 38104

OPERATING ENTITY: Not Applicable

CONTACT PERSON: Carol Weidenhoffer
(901) 516-0679

DATE FILED: March 13, 2015

PROJECT COST: \$8,741,872.00

FINANCING: Cash Reserves of Methodist Healthcare

PURPOSE FOR FILING: Hospital construction and renovation in excess of \$5.0
million

Methodist Healthcare-Memphis Hospital d/b/a Methodist South Hospital is seeking approval to renovate and expand its existing emergency department. The project includes (a) the construction of a 12,020 square foot (SF) building addition to the existing 9,902 SF main ED; (b) the construction of a 704 SF corridor that will connect the new addition to the existing non-acute fast track area located in the medical office building; and (c) the renovation of the existing main ED for an expanded total of approximately 22,626 square feet. The applicant states that the goal of the project is to create a larger contiguous footprint for emergency services at the hospital with improvements to the overall size, layout and set-up of the ED. The project will not increase the 37 bed complement of the ED and does not involve any renovation to the existing 3,800 SF fast track area. Additionally, the project does not involve changes to the

**METHODIST SOUTH HOSPITAL
CN1503-008
June 24, 2015
PAGE 1**

applicant's 156 licensed acute care bed complement, the addition of new services or the acquisition of major medical equipment.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPACEMENT OF HEALTH CARE INSTITUTIONS

- 1. Any project that included the addition of Beds, Services, or Medical Equipment will be reviewed under the standards for those specific activities**

The project involves new construction and renovation to the hospital's existing emergency department with no increase to the department's existing 37 treatment beds. The project does not include the addition of licensed hospital beds, services or medical equipment.

This criterion is not applicable.

- 2. For relocation or replacement of an existing licensed health care institution:**
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative**
 - b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

The project does not involve relocation or replacement of Methodist South Hospital.

The criteria in 2(a) and 2(b) above are not applicable.

- 3. For renovation or expansions of an existing licensed health care institution:**
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project**
 - b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion**

METHODIST SOUTH HOSPITAL

CN1503-008

June 24, 2015

PAGE 2

The applicant provided detailed responses for these criteria on pages 16-19 of the application. Key highlights are provided below.

- *The applicant has been serving the South Memphis and surrounding area for over 40 years through the delivery of healthcare services to a disproportionate share of the Mid-South's most vulnerable populations.*
- *Methodist South's existing ED was designed for approximately 35,000 ED visits per year.*
- *ED visits increased by approximately 81% from 34,417 visits in 2006 to 62,300 total ED visits in 2013.*
- *Space constraints coupled with the high level of visits has adversely impacted workflow and operational efficiencies. The graph on page 17 depicts a 5% increase in patient turnaround times from 2011-2013.*
- *Prior modifications such as the creation of a fast track area for less acute patients have served their purpose and cannot continue to meet the level of growth in ED volumes.*
- *More than half of the ED's beds are non-private cubicles. The proposed design will make all rooms private and larger (increasing from 370 SF to 610 SF per bed) with benefits to patient flow, privacy and infection control.*

It appears that the criteria in 3(a) and 3(b) above have been met.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

The proposed project involves a 9,902 square foot renovation within the existing Emergency Department (ED), new construction for a 12,020 square foot addition to the ED and a 704 SF connecting corridor/vestibule to the existing non-acute fast track area in the medical office building (MOB). If approved, the project will result in an expanded ED containing 22,626 SF of dedicated space on the ground floor of the hospital without changing the current beds assigned to the emergency department (37 ED beds). Other than the connecting corridor, the project does not include construction or renovation to the existing 3,800 SF fast track area in the MOB. Key goals of the project are to improve the layout of the emergency department, convert to larger, all private rooms (from 370 to 610 gross square feet per bed), and add or upgrade designated specialty areas such as chest pain, trauma/resuscitation, bariatric, behavioral and infection control

METHODIST SOUTH HOSPITAL

CN1503-008

June 24, 2015

PAGE 3

rooms. The project also includes an expanded circle drive and covered drop-off area and a new heliport with a covered walkway to ambulance vestibule. A detailed overview of the project is provided on pages 8-9 of the application. If approved, the applicant expects to complete all construction and renovation and open by October 2016.

Ownership

Methodist Healthcare-Memphis Hospitals (Methodist) is a not-for-profit corporation that operates five Shelby County hospitals under a single license with a combined total of 1,583 licensed beds, of which 1,352 are presently staffed (source: Item 1, March 25, 2015 supplemental response). Methodist South Hospital is a wholly-owned subsidiary of a parent organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in healthcare facilities in West Tennessee and North Mississippi.

Facility Information

The applicant states that the design of the ED will take into account current and future capacity based on projected visit levels and acuity mix and the planned throughput improvements proposed in this project - such as the results waiting room and swing beds in the triage area. The applicant described the type of rooms at project completion that are planned for the project Item 2 of the March 25, 2015 supplemental response. The table below summarizes the breakout in the application and supplemental response.

ED Rooms at Project Completion			
Type Room/Station	Main ED	ED New Addition	Total
Exam Rooms	12	0	12
Trauma/ Resuscitation Rooms	2	0	2
Chest Pain Center	3	0	3
Security Hold	1	0	1
Bariatric Exam Room	1	0	1
Infectious Disease Room	1	0	1
Fast Track	0	10	10
Clinical Decision Exam Rooms	0	5	5
Triage (Swing) Exam Rooms	0	2	2
Total Treatment Spaces	20	17	37

The highlights below identify the main features of the ED expansion project at Methodist South Hospital.

- The project will not change the existing complement of 37 ED rooms.
- The new 12,020 square foot addition will create a larger contiguous footprint for emergency services at the hospital.

METHODIST SOUTH HOSPITAL

CN1503-008

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- New construction will reposition the existing fast track area in the existing medical office building (MOB) and move it adjacent to the main ED resulting in a contiguous floor plan between the two areas. *Note: the fast track area was created in the MOB to accommodate less acute patients as volumes grew over 60,000 visits beginning in 2011.*
- The new design will promote more patient and family centered care as well as improve infection control by making all rooms private and larger.
- The size of the emergency department will increase from approximately 370 department gross square feet per bed (DGSF) to 610 DGSF per bed.
- The design includes 3 specialty areas shown in the table above as Security Hold, Bariatric Exam and Infectious Disease rooms. These specialized rooms will be set up to “swing” to use as standard exam rooms when necessary.
- ED patients will have better access to imaging and lab services at the hospital.
- The ED expansion has been designed as a “green project” and the applicant will pursue Leadership in Energy and Environmental Design (LEED) certification from the United States Green Building Council (USGBC). *Note: LEED is a program developed by the USGBC to recognize best-in-class building strategies and practices focusing on helping building owners and operators be environmentally responsible and use resources efficiently. From 1994-2006, LEED grew from 1 standard for new construction to a comprehensive system of interrelated standards covering all aspects of the development and construction process. LEED certification is required by many federal, state and local agencies. LEED standards have been used in over 7,000 building projects in the United States and 30 countries. Source: Wikipedia*
- A letter dated March 6, 2015 from Jon R. Summer, AIA, of the Architectural Firm brg3s, states the construction project will be designed within all applicable federal and state standards, regulations, and guidelines.
- Review of the 2013 Joint Annual Report revealed that the hospital reported 156 licensed beds, 144 staffed beds and 30,981 total inpatient days. Based on this information, Methodist South Hospital had a licensed bed occupancy of 54.4% and a staffed bed occupancy of 58.9% in 2013.

The following provides the Department of Health’s definition of the two bed categories pertaining to occupancy information provided in the Joint Annual Reports:

- **Licensed Beds** - *The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).*

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- *Staffed Beds - The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.*

Need

A detailed description of the project can be found on pages 8-10 and 16-20 of the original application. Key highlights of the need for the project are summarized below.

- The current ED is almost 40 years old and has outgrown past modifications.
- Annual emergency department volume has increased by 81% since 2006 resulting in increased patient turnaround times.
- As measured on a per room basis, the average utilization of the hospital's 37 ED rooms exceeded the American College of Emergency Physicians standard benchmark of 1,500 ED visits/room by approximately 108% during the 4 year period ending 2013 (*note: similar standards are discussed by the applicant in Item 2 of Supplemental 1. The Benchmarking Alliance uses a range of 1,368-1,700 visit per ED room for planning purposes*).
- The applicant states that the hospital was at capacity and on ambulance diversion approximately 45 days during the most recent 12-month period.
- Increased volumes have caused issues with workflow, unacceptable turnaround times, space constraints, limited visibility causing issues in work areas and poor pathway design for patients. The proposed construction and renovation is the most cost-efficient and reasonable alternative to resolve capacity issues.
- The main ED is located almost a football field away to the non-acute fast track area in the medical office building. The proposed new 12,020 SF addition will link the two areas.
- About half of the 37 treatment beds are in non-private spaces. The project would convert all 37 beds to larger, private rooms.
- Upgrades to specialty rooms such as rooms dedicated to the chest pain center and trauma resuscitation rooms are included in the project design.
- Innovations can be introduced as a result of the expanded ED space such as a results waiting room for use by patients ready for discharge but waiting for lab or diagnostic results.
- A new heliport will be constructed with covered walkway to the ambulance vestibule.
- The proposed project offers a new decontamination area adjacent to the ambulance vestibule to be used as a dedicated space in the event of a hazardous material or contamination event.

Service Area Demographics

Shelby County is the primary service area of the proposed ED expansion project. As noted on page 20 of the application, Shelby County residents accounted for approximately 90% of 62,528 total estimated ED visits in calendar year 2014.

Highlights of the emergency department's primary service are noted as follows:

- The total population of the Shelby County, Tennessee service area is estimated at 946,559 residents in calendar year (CY) 2015 increasing by approximately 1.0% to 956,200 in CY 2019.
- The overall statewide population is projected to grow by 3.7% from 2015 to 2019.
- The Age 65+ population of the Tennessee service area is estimated at 112,753 residents in calendar year (CY) 2015 increasing by approximately 14.9% to 129,543 in CY 2019. The Age 65+ population statewide is expected to grow 12.0% during this time period.
- The Age 65+ population of Shelby County is estimated to be 13.5% of the total population in 2019. This compares to 16.5% for the state overall.
- The latest 2013 percentage of the proposed service area population enrolled in the TennCare program is approximately 19%. The overall TennCare percentage for Shelby County 24%. The statewide enrollment proportion is 18.3%.
- Special needs related to such factors as health disparities, poverty, and violent crime are discussed in detail on pages 22-23 of the application.

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.

Applicant's Historical Utilization

The applicant is proposing to renovate and expand the existing ED built over 40 years ago. The applicant provided historical utilization trend data for the most recent 4 year period. The table below provides a comparison of the applicant ED volumes and the volumes of the 5 Methodist Healthcare-Memphis Hospitals in Shelby County to the American College of Emergency Physicians (ACEP) industry standard of 1,500 visits per room in 2013.

**SHELBY COUNTY SERVICE AREA
EMERGENCY DEPARTMENT VISITS AND ROOMS 2010-2013**

Hospital	ED Rooms	Actual 2010	Actual 2011	Actual 2012	Actual 2013	% Change	Average 2013 ED visits per room	% of 1500/bed ACEP std*
Methodist South	37	55,522	59,346	60,902	62,659	12.9%	1,684	112%
Methodist Total	216	251,397	272,034	293,903	304,580	21.2%	1,408	94%

Highlights of the table are noted as follows:

- The applicant's ED volumes increased by 12.9% compared to a 21.2% combined increase by the 5 Methodist Healthcare Memphis Hospitals during the period.
- The applicant exceeded the ACEP 1,500 standard by approximately 112% in 2014.
- The applicant's 62,659 ED amount to approximately 103% of the Methodist Healthcare 60,916 visits per hospital group average in 2014.

Shelby County ED Historical Utilization

- There are 11 hospitals with emergency departments (ED) in Shelby County
- Shelby County EDs reported 456,972 total visits in 2010 increasing by 19% to 545,103 total visits in 2013.
- Overall, the 11 hospitals averaged approximately 49,555 ED visits per hospital in 2013 compared to Methodist South Hospital's 62,659 ED visits in 2013.
- As a group, the five Methodist-Memphis hospitals accounted for 55.8% of total ED visits in Shelby County in 2013.
- Overall, Shelby County Hospital EDs operated at approximately 88% of the 1,500 ACEP standard, ranging from 62% at LeBonheur Children's to 136% at Delta Medical Center.

Applicant's Projected Utilization:

The applicant's historical and projected utilization is shown in the table below.

Applicant's Historical and Projected Utilization

	2011	2012	2013	'11-'13 % Change	2014 Estimated	Year 1 2017	Year 2 2018
Methodist South	59,346	60,902	62,659	5.6%	62,528	62,397	62,791

- The emergency department had a 5.6% increase in utilization during the period.
- As noted in item 5 of Supplemental 1, approximately 8.7% of total ED patients are ultimately admitted as inpatients to the hospital and additional another 6.0% are admitted for observation.

The applicant clarified that the hospital expects a slight shift from lower acuity to higher acuity ED visits. The table below is a condensed version of the table provided in Item 5 of the applicant's March 25, 2015 Supplemental Response to help illustrate the comparison of projected to historical ED volumes by acuity level. The table reflects a slight shift in ED visits to higher patient acuity levels by

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Year Two of the project. Definitions for each acuity level are provided in Item 9 of the March 25, 2015 Supplemental Response. Generally speaking, Level 1 is the lowest while Levels V and VI are the highest acuities).

METHODIST SOUTH ED VISITS BY BILLED ACUITY LEVEL
Actual 2010-2014, Projected 2017-2018

Acuity Level	Actual 2014	% of Total by Acuity 2014	Projected 2017	Projected 2018	% of Total by Acuity 2018
Level I	758	1%	718	723	1%
Level II	6,901	12%	6,679	6,721	8%
Level III	21,143	33%	21,076	21,209	31%
Level IV	20,043	29%	20,153	20,280	32%
Level V	13,289	20%	13,388	13,473	22%
Level VI	404	5%	383	385	6%
Total	62,538	100%	62,397	62,791	100%

Project Cost

Major costs are:

- The largest cost is allocated to construction costs for the new addition and renovation of the main ED at approximately \$4,728,050 or 54.2% of the total project cost. Site development or preparation is \$472,003 and architectural fees are \$489,004.
- Of the \$4.7 million, approximately \$4.1 million is for construction, \$663,120 for chiller upgrades and \$10,000 for canopy work. New construction of the 12,020 square foot (SF) addition and 704 SF connecting corridor accounts for \$3.3 million or 80.4% of the \$4.1 million combined construction/renovation cost.
- The next largest cost is \$2,004,482 for moveable equipment or 22.9% of total project cost.
- Costs related to set-up and use of temporary work stations are estimated at \$125,000.
- For other details on Project Cost, see the Project Cost Chart on page 26 of the application with clarification provided by the applicant in Item 6, of Supplemental 1.
- The applicant expects the new construction cost to be \$270/SF. As reflected in HSDA records, this falls below the median for hospital construction of \$274.63/SF for projects previously approved between 2011 and 2013.
- The renovation cost for upgrades to the 9,902 SF existing main ED is approximately \$742,650 or \$75/SF. This falls below the 1st quartile of the 2011-2013 project SF cost for the period.

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Historical Data Chart

- As noted in the Historical Data Chart for Memphis Healthcare-Memphis Hospitals provided on page 29 of the application, the company reported successive increases in favorable net operating income in each of the most recent three fiscal year periods: \$88,224,000 for 2012; \$99,889,000 for 2013; and \$103,053,000 for 2014.
- The applicant also provided a Historical Data Chart for the ED in Supplemental 1 showing favorable net operating income (NOI) in the most recent 3 fiscal year periods. NOI was \$5,216,000 or approximately 1.5% of total gross revenue in FY2013 decreasing slightly to \$4,233,000 in FY 2014.

Projected Data Chart

The Projected Data Chart for the emergency department reflects \$331,757,000 in total gross revenue on 62,397 patient visits during the first year of operation increasing by approximately 1.0% to \$335,964,000 on 62,791 total visits in Year 2. The Projected Data Chart reflects the following:

- Net operating income for the applicant will equal \$4,817,000 or 1.5% of total gross revenue in Year One (2017) increasing by 6.5% to \$5,130,000 in Year Two (2018).
- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach \$71,296,000 in Year One and \$72,736,000 in Year Two representing approximately 21.5% of total gross revenue in both years.
- Total operating expenses averages approximately \$67,000,000 per year or 20% of total annual gross revenue. Of this amount, salaries and wages accounts for approximately 50% and Other Expenses 28.3%.
- A breakout of the Other Expenses line item in the Projected Data Chart was inadvertently omitted from the application and was submitted in Attachment 8 of Supplemental 1. The attachment shows the highest costs as \$8.3 million per year for "support from other departments"; \$6.1 million per year for "all other not assigned costs"; \$1.85 million per year for health information costs; \$1.35 million per year for contract services; and \$772,000 per year for professional fees.
- Gross operating margin is expected to be 1.5% in Year One and 1.53% in Year Two.

Charges

The applicant states that there is no change to the existing charge structure as a result of the project although normal unrelated rate increases may occur over the

next several years. Highlights of the applicant's charge structure are noted below.

- In Year 1 of the proposed project, the average gross charge averages approximately \$5,317 per visit in Year One and \$5,351 in Year Two. The average net charge is approximately \$1,200 per ED visit.
- Additional detail on page 31 identified that the applicant's ED visit charge schedule falls within a range of \$460 per Level 1 visit to \$1,523 per Level 5 visit.
- The applicant's charges appear to fall below the ED visit charge range projected in Baptist Memorial Hospital for Women CN1211-058A, which is nearing completion pending submission of a Final project report. The projected range in that project was \$413 per Level 1 visit to \$1,974 per Level 5 visit.

Medicare/TennCare Payor Mix

- The expected payor mix for the Methodist South Hospital ED project in Year 1 includes 37% for Medicare and 34% for TennCare/Medicaid.
- Methodist Healthcare contracts with all TennCare MCOs in the service area: United Healthcare (AmeriChoice), BlueCare, and TennCare Select.

Financing

A March 6, 2015 letter from Chris McLean, Methodist Healthcare's Senior Vice President of Finance, confirms that Methodist Healthcare-Memphis Hospitals, the applicant's parent company, has sufficient cash reserves on hand at the corporate level to finance the proposed project.

Methodist Healthcare and Affiliates audited financial statements were provided with the application under the heading "Combined Financial Statements and Schedules-Methodist LeBonheur Healthcare and Affiliates". Review of the statements for the period ending December 31, 2013 reported \$35,310,000 for the period ending December 31, 2013, a decrease from \$71,677,000 in cash and cash equivalents as of 12/31/12. However, total current assets actually increased to \$1,083,439,000 from the prior year due to increases in investments and net patient accounts receivable. With total current liabilities of \$895,366,000 as of 12/31/13, it appears that the current ratio of the parent company was approximately 6.0 to 1.0.

Note: current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

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Staffing

The proposed staffing for the emergency department will not change significantly since the project will not increase the number of treatment beds (*note: the TDH summary does note a slight decrease of 4.0 FTEs due to improvements in operating efficiencies and redeployment of personnel to other areas of the hospital*). The staffing of the ED is shown in the table below.

ED Staffing, Methodist South Hospital

Position	Year 1 FTEs	Occupation Title
RNs	51.13	Registered Nurses
Techs/Paramedics	25.88	Emergency Medical Techs and Paramedics
Access Facilitators	19.13	Healthcare Support Workers
Clerical/Support	20.03	Healthcare Support Workers
TOTAL	116.17*	

**Note: in addition to the above positions, review of the applicant's 2013 JAR revealed that the department staffing includes 5 emergency medicine physicians, 2 other specialty physicians and 3 certified nurse practitioners.*

Licensure/Accreditation

Methodist is licensed by the Tennessee Department of Health, Division of Health Care Facilities. Methodist is accredited by The Joint Commission up to thirty-six (36) months beginning April 20, 2013 for the 20 facilities in the Memphis area shown on pages 84 and 85 of the application. The Joint Commission conducted an unannounced full survey from April 15, 2013 through April 19, 2013. A letter dated June 11, 2013 from The Joint Commission recommends continued Medicare certification effective April 20, 2013.

The applicant has submitted the required information on corporate documentation and legal interest in the site. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency office.

According to the Project Completion Forecast Chart, the applicant plans to complete the project by December 2016. Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, pending or denied applications or outstanding Certificates of Need for this applicant.

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Methodist Healthcare-Memphis Hospitals has financial interests in this project. Methodist Healthcare-Memphis Hospitals has no Letters of Intent or pending applications.

Denied Applications

West Clinic, CN1102-006D, had an application denied at the May 25, 2011 Agency meeting. The application was for the establishment of a single specialty ambulatory surgical treatment center (ASTC) limited to radiation therapy for use by only the physicians and patients of the West Clinic, initiate radiation therapy services and acquire a linear accelerator at 100 North Humphreys Blvd., Memphis, Tennessee. The estimated project cost was **\$8,375,057**. *Reason for Denial: The applicant did not establish the need for the additional linear accelerator; thus, the project did not contribute to the orderly development of healthcare.*

Outstanding Certificates of Need

Methodist Healthcare-Memphis Hospital d/b/a West Cancer Center, CN1311-043A, has an outstanding Certificate of Need that will expire on April 1, 2017. The CON was approved at the February 26, 2014 Agency meeting for the establishment of a 109,285 square foot comprehensive cancer center to be operated as an outpatient department of Methodist Healthcare. The facility will be located on 9.63 acres at 7945 Wolf River Boulevard, Germantown (Shelby County), TN 38138. The project includes the relocation of a linear accelerator, positron emission tomography/computed tomography (PET/CT), magnetic resonance imaging (MRI) and computed tomography (CT) services and equipment, to replace MRI equipment, to acquire an additional linear accelerator and to establish ambulatory operating rooms. The estimated total project cost is **\$60,554,193.00**. *Project Status: Review of the March 2015 Annual Project Report revealed that the anticipated completion date of the project is December 2015. Renovation of non-clinical areas in Phase 1 is completed. Construction scheduled for Phase 2 is underway, including site work for a new parking deck and construction of the linear accelerator vaults.*

Methodist Healthcare-dba Le Bonheur Children's Hospital, CN1311-042, has a Certificate of Need that will expire on April 1, 2016. The CON was approved at the February 26, 2014 Agency meeting for the establishment of a pediatric center and to initiate and acquire magnetic resonance imaging (MRI) and computed tomography (CT) service and equipment. The facility will be located at 100 North Humphreys Boulevard, Memphis (Shelby County), TN and will be operated as an outpatient department of LeBonheur Children's Hospital. The estimated project cost is **\$26,798,857**. *Project Status: Review of the March 2015 Annual Project Report revealed that the project is within budget and is expected to be*

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completed by July 2016. Phase 1 for the renovation of space on the second floor is completed, approved by TDH and open for patient services. Renovation of the remainder of the building will commence once the West Clinic relocates to the new location approved in CN1311-043A on or before November 2015.

Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital, CN1208-041A, has an outstanding Certificate of Need that will expire on January 1, 2016. The Certificate of Need was approved at the November 14, 2012 Agency meeting for the replacement and relocation of the ED within the hospital's campus through 93,000 SF of new construction and renovation of 6,200 SF of existing space. The existing CT will be replaced. The estimated project cost is **\$33,488,985.00**. *Project Status: Review of the March 2015 Annual Progress Report revealed that the project is substantially complete. The replacement ED opened in its new location on the hospital campus in September 2014 and has been operational since that time. Only minor work on exterior items remains for landscaping and completion of asphalt work in the circle adjacent to the new ED. The representative states that a Final Project Report will be filed on or before June 30, 2015.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications for other entities proposing this type of service.

Outstanding Certificates of Need

Baptist Memorial Hospital for Women, CN1211-058A, has an outstanding Certificate of Need that will expire April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the construction of an Emergency Department dedicated for pediatric patients and the initiation of Magnetic Resonance Imaging (MRI) services on the Baptist Women's campus. The project will involve 37,500 square feet of new construction. The project does not involve the addition of beds or any other service for which a Certificate of Need is required. The estimated project cost is **\$14,105,241.00**. *Project Status: During initial staff review of Baptist Medical Group, CN1503-010, the applicant advised that the project has been completed and a Final Project Report will be submitted to HSDA. Subsequently, an e-mail was received from Arthur Maples, Director of Strategic Analysis, Baptist Memorial Health Care Corporation on June 5, 2015 confirming that the project has been completed and the company is working on a final project cost to submit with the Final Project Report.*

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH,
DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF**

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THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG
(6/09/15)



LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper of general circulation in Shelby County, Tennessee, on or before March 10, 2015 for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Methodist Healthcare-Memphis Hospitals d/b/a Methodist South Hospital (a general hospital), owned and managed by Methodist Healthcare-Memphis Hospitals (a not for profit corporation), intends to file an application for a Certificate of Need for the renovation and expansion of the Emergency Department (ED) and related areas at 1300 Wesley Drive, Memphis, TN 38116. The project involves approximately 12,800 square feet of new space and 9,950 of renovated space. This project does not involve inpatient beds, initiation of services or addition of major medical equipment. The estimated total project costs are approximately \$8,750,000.

The anticipated date of filing the application is on or before March 13, 2015. The contact person for this project is Carol Weidenhoffer, Senior Director of Planning and Business Development, who may be reached at: Methodist Healthcare, 1407 Union Avenue, Suite 300, Memphis, TN, 38104, 901-516-0679.

Carol Weidenhoffer
(Signature)

3/9/15
(Date)

Carol.Weidenhoffer@mlh.org
(E-mail Address)

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The Letter of Intent must be **filed in triplicate** and **received between the first and the tenth day of the month**. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: May 30, 2015

APPLICANT: Methodist Healthcare-Memphis Hospitals
d/b/a Methodist South Hospital
1300 Wesley Avenue
Memphis, Tennessee 38116

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CONTACT PERSON: Carol Weidenhoffer
Senior Director of Policy, Planning, and Business Development
1300 Wesley Drive
Memphis, Tennessee 38116

COST: \$8,741,872

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Methodist Healthcare-Memphis Hospitals, d/b/a Methodist South Hospital located at 1300 Wesley Drive, Memphis (Shelby County), Tennessee, seeks Certificate of Need (CON) approval for the renovation and expansion of the Emergency Department (ED). The project does not increase the bed complement of the ED from its existing 37 treatment beds.

Methodist intends to construct a 12,724 square addition and renovate 9,909 square feet within the existing ED for an expanded total of over 22,600 square feet. The total construction costs are \$4,728,050 or \$209 per square foot. This is between the 1st Quartile and the Median construction costs from the HSDA website for recently approved projects.

Methodist Healthcare-Memphis Hospitals is a not-for-profit corporation that operates five Shelby County hospitals under a single license. The applicant is a wholly-owned subsidiary of a broader organization, Methodist Healthcare, which is a not-for-profit corporation with ownership and operating interests in healthcare facilities in West Tennessee and North Mississippi. Attachment A.4 contains an organization chart, and information on the facilities owned in whole or part by Methodist Healthcare.

The total estimated project cost is \$8,741,872 and will be funded in cash by the applicant's parent, Methodist Healthcare.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's service area is Shelby County. The 2015 Shelby County population is estimated as 946,559, increasing to 956,200 in 2019, an increase of 1.0%.

The applicant's project is for the renovation and expansion of the existing ED at Methodist South. The current ED was built over 40 years ago for a volume of approximately 35,000 visits. As ED visits increased and began to exceed the 35,000 capacity, a fast track area was created for less acute patients. Space constraints mandated that these non-acute fast track patients occupy space in a connected medical office building, almost a half a football field away.

ED visits have continued to grow over the years. The following chart shows ED visits from 2011 through 2013.

Service Area ER Utilization 2011-2013

	ER Rooms	2011 Presented	2011 Treated	2012 Presented	2012 Treated	2013 Presented	2013 Treated
Methodist Hospital South	37	61,745	59,346	65,711	62,659	64,744	62,300

Joint Annual Reports of Hospitals, 2011, 2012, 2013, Tennessee Department of Health, Division of Policy, Planning, and Assessment

The applicant reports ED visits have significantly increased since 2006 when approximately 34,000 ED visits occurred to more than 62,000 in 2013, an 81% increase. Methodist South believes this growth is driven somewhat by an inadequate number of primary care providers in the community and healthcare reform that has placed a greater burden on the ED department for higher efficiency while maintaining high quality standards.

The applicant has modified existing spaces and developed new processes but there continues to be challenges due to the limited space and operational inefficiencies. At the same time, patient surveys indicate patients want more privacy and areas for families to gather. Methodist reports they ranked in the 35th percentile of a national vendor data base in terms of patient privacy. A major factor is that more than half of the current beds are non-private cubicles. In addition, Methodist South's ED gross square foot per bed is 370 SF, much less than other area hospitals.

Methodist South needs to improve the layout of the current ED in order to improve both workflow and patient flow. The ED is currently separated into two disconnected work areas that are relatively far apart. This hinders patient flow and contributes to less than optimal staffing. This proposed project would resolve this problem by making the two spaces contiguous, thus making it more efficient to staff while improving patient flow.

Methodist South is located in the Whitehaven neighborhood in south Memphis and has been an anchoring organization to the community for the past 40 years, repositioning services to address emerging needs. This project continues those efforts by expanding capacity to improve access to patient and family centered care. Methodist South is a leader in supporting the local community's development while providing for vital healthcare needs. Methodist South cares for a disproportionate share of the Mid-South's most vulnerable populations. Methodist Healthcare's mission is to partner with its medical staffs and collaborate with patients and families to be the leader in high quality, cost effective healthcare in all sectors of the service area. Their geographical distribution makes Methodist Healthcare the area provider with the largest number of entry points, and the most socio-economically diverse patient population.

The special needs of the service area population, particularly the significant health disparities in the South Memphis area were factors in the planning for this project. One out of five individuals in the total service area is below the poverty level, which is higher than the State average. The Methodist South ED cares for a high number of TennCare enrollees, making up 40% of those treated.

Shelby County is one of the least healthy counties in Tennessee. The County Health Rankings, a Robert Wood Johnson resource, ranks Shelby County among the bottom half of Tennessee counties, based on health outcomes and health factors. The socio-economic factors including education level, children in poverty, available social support, single parent households, and violent crime, ranks Shelby County as eighth out of 95 counties.

The applicant projects 62,397 ED visits in year one and 62,791 in year two of implementation.

TENNCARE/MEDICARE ACCESS:

Methodist South participates in the Medicare and Medicaid programs. The TennCare/Medicaid programs the applicant participates in include United Healthcare Community Plan, BlueCare and TennCare Select, and AmeriGroup Community Plan.

The applicant projects gross Medicare revenues of \$122,661,000 or 37% of total revenues and TennCare gross revenues of \$111,758,000 or 34% of total revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 26 of the application. The total estimated project cost is \$8,741,872.

Historical Data Chart: The Historical Data Chart for Methodist Healthcare-Memphis Hospitals is located on page 29 of Supplemental 1. The applicant reported 350,714, 350,492, and 335,100 patient days in 2012, 2013, and 2014, with net operating income \$88,224,000, \$99,889,000, \$103,053,000 each year, respectively.

The Historical Data Chart for Methodist South Emergency Department only, is located on page 21 of Supplemental 1. The applicant reported 62,762, 66,333, and 62,659 discharges in 2012, 2013, and 2014, with net operating income \$4,182,000, \$5,216,000, \$4,033,000 each year, respectively.

Projected Data Chart: The Projected Data Chart can be found on page 41 of the application. The applicant projects 41,123 and 43,189 patient days in years one and two with net operating income of \$37,304,971 and \$40,969,838 each year, respectively.

The applicant provided the current and proposed charges for each ED Level visit below:

Procedure	Current Rate
Level 1	\$460
Level 2	\$536
Level 3	\$801
Level 4	\$1,303
Level 5	\$1,523

Methodist Healthcare utilized a recent CON filed in 2012 by Baptist Memorial Hospital for Women (CN1211-058) for ED expansion and renovation ED Level charges as a comparison to their current

and proposed charges. Assuming 2% inflation in Level rates since 2012, the proposed charges are reasonable and comparable; and should have no impact on other providers charge schedules.

Methodist Healthcare weighed the health care services, benefits to the community as a whole, and the cost effectiveness for expanding ED services at Methodist South. Doing nothing about the issues described in their application was not an option.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant provides a listing of all facilities, contractual and/or working relationships, transfer agreements, and physician groups on page 34 of the application.

Methodist Healthcare is committed to serving Shelby County and the greater Mid-South area. Methodist has strategically placed and maintained hospital and ambulatory facilities in all areas of Shelby County and is an anchoring organization for the Whitehaven community while competitors have moved to the east for commercial market share.

This project does not propose an increase in the applicant's market share, but stabilizes the hospital in the changing healthcare environment.

The staffing at Methodist South will not be increased by this project, but will actually decrease by approximately 4.0 FTEs. Efficiencies gained from the new design will provide for the redeployment of personnel in positions that are no longer needed in other areas of the hospital. The applicant provides the anticipated clinical staffing patterns for the first two years of the project on page 35 of the application. In addition, the community served by Methodist South has a significantly higher prevalence of chronic illnesses, especially cardiovascular disease and diabetes.

Methodist Healthcare has clinical affiliation agreements with multiple colleges including 20 for nursing, 30 for rehabilitation, 30 for pharmacy, and 20 for other allied health professionals. Methodist University Hospital offers a site for clinical training. There are 1,400 students participating in these programs annually at Methodist Healthcare.

Methodist Hospital System is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and accredited by The Joint Commission. The most recent unannounced full survey occurred on 6/3/2013 and the areas of deficiency were removed effective 4/20/2013.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Not applicable.

2. For relocation or replacement of an existing licensed health care institution:
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The project is for a renovation and expansion of Methodist South Hospital. Neither of the criteria above is applicable.

3. For renovation or expansions of an existing licensed health care institution;

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.
- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The applicant has modified existing spaces and developed new processes but there continue to be challenges due to the limited space and operational inefficiencies. At the same time, patient surveys indicate patients want more privacy and areas for families to gather. Methodist reports they ranked in the 35th percentile of a national vendor data base in terms of patient privacy. A major factor is that more than half of the current beds are non-private cubicles. In addition, Methodist South's ED gross square foot per bed is 370 SF, much less than other area hospitals.

Methodist South is located in the Whitehaven neighborhood in south Memphis and has been an anchoring organization to the community for the past 40 years, repositioning service to address emerging need. This project continues those efforts by expanding capacity to improve access to patient and family centered care. Methodist South is a leader in supporting the local community's development while providing for vital healthcare needs. Methodist South cares for a disproportionate share of the Mid-South's most vulnerable populations. Methodist Healthcare's mission is to partner with its medical staffs and collaborate with patients and families to be the leader in high quality, cost effective healthcare in all sectors of the service area. Their geographical distribution makes Methodist Healthcare the area provider with the largest number of entry points, and the most socio-economically diverse patient population.

The applicant's project is for the renovation and expansion of the existing ED at Methodist South. The current ED was built over 40 years ago for a volume of approximately 35,000 visits. As ED visits increased and began to exceed the 35,000 capacity, a fast track area was created for less acute patients. Space constraints mandated that these non-acute fast track patients occupy space in a connected medical office building, almost a half a football field away.

